

MATERIALIZING PERFORMANCE:  
THE INTERACTIONS THAT ENACT INCLUSIONS, EXCLUSIONS AND  
ARRANGEMENTS IN CHARITY SOCIAL PERFORMANCE REPORTS

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## Abstract

The accounting concept “materiality” is theorized then elaborated in two empirical studies. Materiality is theorized as a performative enactment of entangled objects and idealities that in turn influences which objects and idealities come to matter. Theorized in this way, materiality is not understood as judgements of human preparers and auditors, but a material-discursive practice interacting with agentic objects (such as templates and information technologies) and idealities (including professional norms). Inscriptions in accounting systems and public-facing reports are the traces of these interactions, which collectively constitute a text that is itself an entanglement of matter and meaning, and that itself enacts an ongoing becoming of what matters. The theorization of materiality is elaborated in the context of charity reporting on social (mission-related) performance. Materiality in charity reporting is a pressing question in its own right, and a useful context in which to bring visibility to materiality concepts that are taken-for-given in financial accounting contexts. The first study elaborates how things come to matter, and not matter, examining social performance reporting in charity annual accounts from 1865 to 2014. It focuses on the interactions of templates, expertise and printing technology in the inclusions, exclusions and arrangements of performance information in charity annual reports. The second study interrogates the differences in materiality by comparing six reports, each based on the same performance measures from a real charity. It focuses on the interactions of templates and prior inscriptions in the differential materializations. A final essay develops policy recommendations in light of the new theorization of materiality by reconsidering the idea of the reasonable investor and elaborating the concept of the reasonable donor.

## Table of Contents

ABSTRACT .....	II
TABLE OF CONTENTS.....	III
LIST OF TABLES.....	IV
LIST OF FIGURES.....	V
LIST OF ABBREVIATIONS.....	VI
PROLOGUE.....	VII
<b>1. INTRODUCTION .....</b>	<b>1</b>
CONTEXT .....	3
OUTLINE.....	6
<b>2. WHAT IS MATERIALITY?.....</b>	<b>9</b>
ACCOUNTING MATERIALITY: A MULTI-STRATA CONCEPT FORGING MATTER AND MEANING .....	12
THE MATERIALITY CHAIN AND CORPORATE RESPONSIBILITY DISCLOSURES .....	20
THE NEW MATERIALISM .....	22
RETHINKING MATERIALITY.....	31
CONCLUSION .....	37
FIGURES AND TABLES.....	40
<b>3. MATTERING, DE-MATTERING .....</b>	<b>41</b>
MATTERING .....	45
METHOD .....	50
ANALYSIS.....	52
IMPLICATIONS & CONCLUSION.....	83
TABLES AND FIGURES .....	87
<b>4. MATTERING DIFFERENCE .....</b>	<b>121</b>
WHY INSCRIPTIONS MATERIALIZE DIFFERENTLY.....	124
METHOD .....	131
ANALYSIS.....	134
DISCUSSION AND CONCLUSION .....	147
TABLES AND FIGURES .....	152
<b>5. MATTERING USERS: THE REASONABLE DONOR .....</b>	<b>164</b>
REAL DONORS, THEIR INFORMATION NEEDS AND GIVING BEHAVIOURS.....	168
IN SUPPORT OF MAKING UP USERS.....	173
THE REASONABLE DONOR.....	177
IMPLICATIONS OF MATTERING MINDS .....	189
ADDENDUM: MATERIALITY IN ADVERTISING .....	191
TABLES AND FIGURES .....	194
<b>6. CONCLUSION.....</b>	<b>195</b>
<b>REFERENCES .....</b>	<b>207</b>
<b>APPENDIX A: NEW YORK TIMES ARTICLES.....</b>	<b>I</b>
<b>APPENDIX B: CHANNING HOME, A TEMPLATE IN PARAGRAPH FORM.....</b>	<b>II</b>
<b>APPENDIX C: UNIFORM ACCOUNT FOR HOSPITALS.....</b>	<b>III</b>
<b>APPENDIX D: METHOD FOR REVIEW OF LEGAL JOURNALS.....</b>	<b>IV</b>
<b>APPENDIX E: REVIEW OF SOCIAL IMPACT MEASUREMENT AND REPORTING GUIDANCES .....</b>	<b>VI</b>

## List of Tables

Table 3.1 Annual Reports Reviewed, totals by charity and decade.....	87
Table 3.2 Tabular reporting citing accounting by NEHLW, 1872 .....	88
Table 3.3 Tabular reporting citing accounting Bethesda Society, 1914 .....	89
Table 3.4 Home for Destitute Catholic Children 1904 .....	90
Table 3.5 Tabular format with integration Boston Industrial Home 1890 (partial table).....	91
Table 3.6 Avon Home Statistical Report, 1914 .....	92
Table 3.7 Tabular outcomes report, Bethesda Society 1923 .....	93
Table 3.8 Social performance accounts decline.....	94
Table 3.9 NEHLW Annual Statistics in 1946* compared with 1945 .....	95
Table 4.1 Materiality as a multi strata concept .....	152



## List of Figures

Figure 2.1 The Materiality Chain.....	40
Figure 3.1 NELW Social Performance Accounts 1865 .....	96
Figure 3.2 NELW Social Performance Accounts 1935 .....	97
Figure 3.3 NELW Social Performance Accounts 2014 .....	99
Figure 3.4 Social Performance Disclosures by Quantity and Format.....	100
Figure 3.5 NEHLW Statement of Receipts and Expenditures 1872.....	102
Figure 3.6 Graphic Inscriptions NEHLW 1916, 1919 .....	103
Figure 3.7 Bethesda Society Annual Statistics 1930 and 1931 .....	104
Figure 3.8 NEHLW Annual Statistics 1930, 1945, 1946*, 1947 .....	107
Figure 3.9 Avon Home Annual Statistics 1925, 1935 and 1940 .....	113
Figure 3.10 Channing Home Annual Statistics 1934 and 1941 .....	116
Figure 3.11 NEHLW Social Performance Accounts, 1989 .....	119
Figure 3.12 NEHLW Financial Accounts, 1989.....	120
Figure 4.1 The logical framework and theory of change.....	153
Figure 4.2 Observational methods from Shaughnessy, Zechmeister & Sechmeister (2012) .....	154
Figure 4.3 Example of quantitative data: Where tenants came from before moving into Our House.....	154
Figure 4.4 Example of qualitative data – transcript of interview with tenant.....	155
Figure 4.5 Example of annotations of data – extracts from interview with Executive Director .....	155
Figure 4.6 Reports Submitted .....	156
Figure 4.7 Hierarchy of Categories presented in Report B.....	158
Figure 4.8 Hierarchy of categories presented in Report F .....	159
Figure 4.9 Personal achievement, employment and exploration grant.....	160
Figure 4.10 Length of Tenure, from case documents (partial table) .....	161
Figure 4.11 Length of Tenure - Report B .....	161
Figure 4.12 Length of Tenure - Report C .....	161
Figure 4.13 Length of Tenure - Report D .....	162
Figure 4.14 Length of Tenure - Report G .....	162
Figure 4.15 Cost savings in Report A.....	163
Figure 5.1 The Impact Value Chain.....	194

## List of Abbreviations

CSR – Corporate Social Responsibility  
ED – Executive Director  
ESGI – Environmental Social Governance Impact  
IPSASB – International Public Sector Accounting Standards Board  
IASB – International Accounting Standards Board  
FASB – Financial Accounting Standards Board  
NEHLW – New England Home for Little Wanderers  
NYT – New York Times  
SIAA – Social Impact Analysts Association  
SROI – Social Return on Investment

## Prologue

### Materiality, accountability and social responsibility

A judgmental area in accounting and audit  
An opportunity to escape liabilities  
An excuse to avoid blames and responsibilities  
A recipe to make shareholders confusing

At planning stage of an audit  
Auditors keen to design materiality  
No guidelines available on threshold  
Decision is based on last year's audit

At evaluation stage of an audit  
Auditors start to relax on materiality  
Evaluate those deemed immaterial items  
Adjust thresholds to avoid liabilities

At disclosure stage of an audit  
Auditors have completely ignored materiality  
Compromise position to ensure re-appointment  
Shred audit evidence if found negligence

A grey area for decision  
A growing area of concern  
The line for decisions is fading  
An opportunity for figures massaging

When fails to verify material items  
Authorities about to bring to face judgement  
Blame the Accountancy Foundation for lack of a proper guidance  
Blame the shareholders for being numerically illiterate

When judgement day arrives  
Auditors pretend to be calm  
Blame clients for not knowing how numbers were derived  
Blame clients for not adding the sum

Judges found auditors guilty  
Guilty, guilty, guilty?  
No one believes it is guilty  
Auditors blame materiality as the culprit

All financial figures were marinated ready for the bar-be-Q  
Before the next victim arrives  
Auditors use materiality for a quick kill  
When questioned auditors' lips have gone sealed

Materiality has a twin sister  
Her name is audit risk  
No one knows how to define this mysterious sinister  
Both materiality and audit risk could bring auditors to their knees

Who cares for social accountability or mishap  
Who cares for materiality and audit risk  
As long as no one understands expectation gap  
Enjoy while Accountancy Foundation is sorting its heap

Who cares for materiality?  
When sued this adds to statistics on auditors' liability  
Who cares for true and fair view?  
When challenged use this as an excuse

Chong, 2005

## 1. Introduction

In all aspects of their work, accountants use the concept of materiality to keep their work from being mired in the weeds. Materiality delineates things that matter enough to fuss with from things that don't. Only those errors, asset acquisitions or differences that *matter* need to be corrected, capitalized or classified separately. Despite its pervasiveness, a robust theorization of materiality has been elusive (Edgley, 2014; Messier, Martinov-Bennie & Eilifsen, 2005).

An expanded disclosure context points to an urgent need for a more robust theorization of what materiality is and how things come to be material. In October 2015, IASB released a new draft guidance on materiality (IASB, 2015a), which sought to address the “disclosure problem” (IASB, 2015b) caused by, they said, an insufficient understanding of materiality. The new guide sought to better define materiality by elaborating examples of materiality in particular situations, but did not address the more conceptual challenges that the concept is increasingly confronting. These challenges come from environment-social-governance-impact (ESGI) actors who seek to use materiality as “a solid epistemological foundation” (Edgley, 2014, p. 255) to “determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact” (Social Value, 2015 p 1). When these new ESGI actors use the word “materiality”, they are not referring to minutia within affirmative disclosures, like subclasses of equipment leases (IASB, 2015a), but whole categories of ESGI items (Eccles, Krzus, Rogers, & Serafeim, 2012; Edgley, Jones & Atkins, 2015), obscuring the distinction between voluntary and required disclosures (Lo, 2010 p 135; see also Heitzman, Wasley & Zimmerman (2010, p. 112); Kyte, 2007; Mosma & Olsen, 2007). In March 2016, IASB, along with seven ESGI groups, released a statement of Common Principles of Materiality (Corporate Reporting Dialogue, 2016), which only served to highlight the vastly different interpretations that can arise from a single common definition. Accounting's current understandings of materiality are not equipped for broader application, leading to calls for more research

on materiality of non-financial information (Messier et al, 2005). Materiality requires a re-theorization to remain meaningful in an expanded reporting environment.

Further, the IASB definition of materiality emphasizes users' information needs. In financial accounting and auditing, these users — investors, creditors, and other stakeholders — are assumed to have pre-existing decision models that specify the types of items that are of interest to their decision processes. It assumes that users know what is material to them, and that it is the role of standard setters and preparers to ensure that that material information is disclosed. However, a considerable body of literature casts doubt on that fundamental premise. Rather than a fixed set of user information needs that accountants are responding to, evidence suggests that accounting is also shaping user preferences (Nisbett, Zukier & Lemley, 1981; Nett, Bröder & Frings, 2015; Tan & Tan, 2009; Cardinaels & Van-Dirks, 2010; Fischhoff, Slovic & Lichtenstein, 1978; Barman, 2015). In the face of this evidence, it is simply no longer tenable to defer to users to define what matters. If accounting is indeed intended to serve the public interest, and given the rapid development of ESGI reporting practice, now is the time to update materiality from mid-century standard-setting (Young, 2006; Edgley, 2014) to incorporate current knowledge.

This study seeks to understand what materiality is and how things become material in accounting. To theorize materiality, I start with Edgley's (2014) assertion that materiality is a performative process. I combine that with understandings of socio-material objects (where materiality has reference to a tangibility, cohesion or 'thingness' rather than the accounting meaning). Accounting inscriptions and the artifacts are matter — in the sense that it is a physiochemical arrangement of atoms, but they are entangled, as all matter is, with discourse (Pollock & D'Adderio, 2012; Muniesa, Millo & Callon 2007; Wagner, Moll, & Newell, 2011). I bring these two theories together using the new materialism, particularly Barad (2007) which argues that prior materializations enact future materializations in a chain of performative ongoing becoming. I show that new materialism usefully elaborates and explains how

certain items come to be material, in the accounting sense, and the consequences mattering inscriptions into accounting systems.

I argue that materiality is the accounting inscriptions that are included and excluded (and how they are arranged) in standards, entity-based accounting software systems, and public disclosures and that each of these participate in causally, but non-deterministically, enacting future materializations into standards, systems, and disclosures. Accounting inscriptions and artifacts are a production of meaning and ideation, such that they *are* meaning; just as they are a production of matter (atoms), such that they *are* matter. They agentively assert their own mattering into future accounting artifacts, in a conflation of significance/importance and physio-chemical formation. The performativity of accounting materiality is causal but non-determinant. Accounting inscriptions, as material-discursive arrangements, interact, or interfere as Barad (2007) would say, with other material discursive arrangements such that the traces that appear in artifacts are the effects of interferences, citing — never with perfect fidelity — earlier material-discursive arrangements that enacted them.

## Context

I elaborate the theory in the context of the social performance reporting by charities. Social performance refers to a charity's mission-related results. Examples of social performance reporting would include disclosures related to providing care to at-risk children, or safe and secure housing to low-income people with mental health concerns. Because social results are not communicated by financial accounting statements, they are frequently referred to as non-financial results. I prefer to call them social performance for several reasons. One is that there can be overlap between financial measures and social indicators of performance. For example, a housing charity might use overdue rent payments (a receivable) as a social performance indicator such as a tenant's risk of eviction. A social enterprise that hires from at-risk populations might record the salaries paid to workers (salary expense) as a measure of social benefit created by the enterprise. Another reason is that the term non-financial measures implies secondary

measures, but for charities, by definition of the charitable status accorded to them, social performance is the primary type of performance. It is their *raison d'être*. Social performance reporting refers to the selection and presentation of data that informs assessment of the social benefits created by the charity.

There are two reasons to choose charity social performance reporting for the study of materiality. The first is that it is a domain of interest in its own right. There is increasing interest in social accounts of charities (Coy *et al.*, 2001; Chenhall, Hall & Smith, 2010, 2013; Connolly & Hyndman, 2000, 2004; Martinez & Cooper, 2012; O'Dwyer, 2005; Unerman & O'Dwyer, 2006; O'Dwyer & Unerman, 2008; O'Dwyer, Owen, & Unerman, 2011, Souder, 2016). At present, such reporting is limited (Hyndman, 1990, 1991; Connolly & Hyndman, 2000, 2004; Coy & Dixon, 2004; Salterio & Legresley, 2011). Research has found that, despite some notable exceptions, charities disclose little of the information that charity experts say ought to matter to donors, such as strategy, outcomes, and performance vis-à-vis goals (Hyndman, 1990; Connolly & Hyndman, 2004; Coy & Dixon, 2004).

Practitioners and think-tank-type consultancies in the charity sector argue that charity reports ought to eschew feel-good stories in favour of credible, transparent accounts of the social impacts of their work (*e.g.*, Charity Navigator, GiveWell, Social Value International). Consistent with the contemporary transparency *zeitgeist* (Fung, Graham & Weil, 2007; Levi-Fleur, 2005), they argue that better reporting can remedy the “startling level of inconsistency and inefficiency in the way donations for charity are raised and allocated to needy recipients” (Oppenheimer & Olivola, 2011, xiii) because better reporting leads to better decisions, which leads to more resources for the more effective charities, which leads to more social good.<sup>1</sup> Better reporting is seen as a way to implore donors to “become informed about needs and ways to have the greatest impact” (Ostrander, 2007, p. 371). What information do these organizations say charities ought to include in their public accounts to stakeholders about their performance? *Material*

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<sup>1</sup> See, for example: <http://trust.guidestar.org/2015/02/12/better-data-better-decisions-better-world/>

information. But these calls are made with little understanding of what materiality is in this context, and without a theoretical frame for understanding consequences of different materiality guidelines.

The second reason is that the charity context allows the accountant to think about materiality outside of familiar financial accounting examples and practices. It invites, even forces, a contemplation of the constitutive elements of materiality, as well as the relationship between the practices of *doing* materiality and the definition of materiality. Studying materiality in a strange context enables a more general theorization. If materiality can be theorized and articulated in a way that holds true and makes sense for charity social performance and financial reporting, a more robust theorization of materiality is achieved. Hopefully, it is one that resonates at once as obvious and interesting, plausible and real (Weick, 1989).

Charity social performance reporting is a particularly useful context in which to explore the materiality of categories (as the ESGI context demands) because it is an unregulated domain. Charity regulation tends to be organized around tax laws and is primarily concerned with the detection and prevention of tax evasion through the charitable vehicle. In the US, UK, and Canada (countries similar enough to be spoken of collectively for the purposes here) mandatory disclosures are focused on financial information such as sources of revenue, program-related expenditures, cost of fundraising, and financial holdings. There is very little required disclosure related to charity activities, purpose, and results. For example, the IRS Form 990 is 12 pages long, but only one page asks for information on charity program activities and results.<sup>2</sup> Canada Revenue Service's T3010 allows charities only 8 lines to describe ongoing and new programs and results. The form specifies that additional pages or annual reports should not be provided.<sup>3</sup> After public consultation, the UK's Charity Commission abandoned a requirement for large charities to report on programs and results (Rimmer, 2013). As a result, charities have very limited

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<sup>2</sup> Internal Revenue Service Form 990 can be found here: <https://www.irs.gov/pub/irs-pdf/f990.pdf>

<sup>3</sup> Canada Revenue Agency T3010 can be found here: <http://www.cra-arc.gc.ca/E/pbg/tf/t3010/t3010-17e.pdf>



reporting obligations with respect to the effectiveness of their mission-related activities. It means that preparers of charity social performance reports cannot consider errors and omissions in relation to a standard set of disclosures, but with each charity must contemplate anew ‘what matters’.

An advantage of charity social performance reporting as opposed to corporate social performance reporting is that, with charities, social performance is being assessed as an end in its own right. By contrast, within the corporate social performance community, there is a large contingent that views social performance as valuable, not because of what it says about impacts on society and the environment, but because it is predictive of financial performance. Thus within the corporate reporting world, it can be difficult to disentangle when an ESGI indicator is considered material to financial return-maximizing shareholders, and when it is material because it *matters* to stakeholders that are not necessarily focused on shareholder returns. That confusion is mitigated in the charity reporting context.

## Outline

The study is organized in four sections: a presentation of the theory, two empirical elaborations of it, and an essay that brings the theorized materiality to the practical issues of policy, standard setting, and doing materiality.

The next chapter, chapter two, theorizes what materiality is, how things come to be material, and the consequences of different materializations. It elaborates the pervasiveness of accounting materiality as a materiality chain with different locations (accounting systems, public disclosures, standards) and strata (categories, evidence, and form) of mattering, and shows how, in accounting, materiality at one place in the chain performatively enacts future materiality judgements. The mechanisms by which the materiality chain performatively enacts are elaborated using the new materialism (Barad, 2007; Coole & Frost, 2010; Iedema, 2007; Bennet, 2010; Butler, 1993). Key constructs — inclusions, exclusions, and arrangements — are introduced. The chapter presents accounting materiality judgements as a mundane everyday practice in which accounting creates the interest it purports to serve (Neu & Graham, 2005, p 585);

elaborating Hines's (1991) argument that the conceptual framework maintains a social world. This theorization offers an explication of the close linkage between the *doing* of materiality in accounting and the making of the mattering of things. It gives agency to non-human actors and situated (particular to a particular space and time) practices. It provides materiality research with a rich set of causal mechanisms to explain what is, and what becomes, material. This theorization shifts the understanding of materiality away from pre-existing user-needs (and professional judgement of an item's bearing on user decision making) to an accumulation of discourse sedimented into physical things like spreadsheets, reporting templates and accounting software.

Chapter three uses the theorizations to explore how certain things come to matter and not matter. The empirical site is a set of annual reports from Boston-area charities dating back to 1865 and continuing through the present day. Over the 150-year period, the quantity of social performance disclosures starts small, increases through the turn of the century, peaks in the 1940s, declines through the mid-century and rises again in the 1980s. I use a method for examining the content of annual reports based on the new materialism's diffractive reading (Barad, 2007; Haraway, 1997). In this method, the disclosures in the charity reports are understood to be the traces of the interactions that enacted them. I show how certain performance measures were made material and then not material through the interactions between the accountability context, expertise of the preparer, and pre-existing artifacts and inscriptions. This is the first study, I believe, to examine a decline and resurgence of disclosures.

Chapter four examines how inscriptions differently come to matter, and the enactment of material differences. The empirical site is a case competition in which six groups of professional social impact analysts produced public-facing reports based on the same set of performance measures. Even though they were working with the exact same information, the reports produced by the professionals differ in content and form to the point that they suggest different conclusions about the charity's performance, ranging from effective to ineffective. The chapter examines the interactions that enact different materializations. It looks specifically at the interactions of devices and prior inscriptions, and how they

differently materialize in a public-facing report. I introduce to accounting “observation with intervention” (Salancik, 1979; Shaughnessy, Zechmeister & Sechmeister, 2012 p 112) as a middle ground between laboratory studies and naturalistic observations. This method allowed me to examine how professionals, working in natural groups, in their natural environment, differently materialized the same set of performance measures into a public-facing report. Empirically, I provide, I believe, the first look at how different groups of practitioners materialize the same inscriptions differently.

Chapter five seeks to apply my understanding of materiality to policy, standard setting, and practice guidelines. The challenge is to recognize the performative nature of materiality while still accommodating the practical need to issue guidance within the constraints of existing accounting institutions. To do this, I resurrect the made-up user from Young’s (2006) searing critique. I draw on a community of law scholars who argue that there are policy advantages to a made-up user and that the made-up user should be judged, not on its correspondence with ordinary/typical users, but on how it achieves the policy objectives (for example, fair markets). I then articulate a reasonable donor based on the idealized processes of “sophisticated” donors and define what would be material to this donor. These are the idealities entangled in the devices, spreadsheets and templates already in use and would be expected to shape user information needs in pursuit of a fairer world.

## 2. What is materiality?

“Materiality” is a popular word these days. In accounting scholarship, materiality (the accounting term) has seen a revival in the subfields of auditing (Messier, *et al.* 2005; Bell & Griffin, 2012; Trompeter & Wright, 2010), voluntary disclosure (Lo, 2010; Heitzman *et al.*, 2010), sustainability reporting (Edgley *et al.*, 2015; Eccles & Krzus, 2015; Eccles *et al.*, 2012), non-profit reporting (Nicholls, 2009, p 760), and financial reporting (Edgley, 2014). In a seemingly entirely different use of the word, *materiality* (the term that connotes tangibility) is emerging as a focal interest of academic papers on practices and discourses heralding new and improved theories of accountability (Scott & Orlikowski, 2012), organizational behaviour (Leonardi & Barley, 2008; Orlikowski, 2010, Fotaki, Metcalfe & Harding, 2014), routines and practices (D’Adderio, 2011; Whittington, 2011) and their relation to cognitive schema (Pollock & D’Adderio, 2012). The revived interest in the more tactile, tangible materiality is part of the *new materialism*. With antecedents that trace variously to Derrida, Latour, Foucault, Marx, Nietzsche, Freud, Spinoza and Deleuze, as well as quantum physics, the new materialism sees matter itself as unstable and fluid and entangled with discourse such that neither matter nor meaning can be said to come prior nor understood without the other (Barad, 2007; Coole & Frost, 2010; Iedema, 2007; Bennet, 2010; Butler, 1993).

In the accounting literature there is a chasm begging to be bridged. Edgely’s assertion that materiality is “a performative activity at the crux of truth games” (Edgley, 2014, p 255) treats the term materiality as an accounting concept void of any reference to matter. Conversely, accounting research drawing attention to the “material, particularly the bodily and the artifactual” (Whittington, 2011 p 185), the “sociomateriality” of accounting inscriptions (Pollock & D’Adderio, 2012; Wagner *et al.*, 2011), and material-discursive market devices (Muniesa *et al.*, 2007) treats materiality as if it pertains only to thing-ness devoid of any reference to the term that populates financial accounting documents. These works seem to build toward each other without quite touching.

The definition of materiality in the Oxford English Dictionary<sup>4</sup> suggests the chasm is an old one. OED defines the accounting and law uses of materiality as distinct from the tangible, solid, mattered meanings that are deployed in sociology. Yet the root word of materiality — matter — encapsulates the double sense of physical matter and to matter: a conflation of object and importance that is littered throughout English (*e.g.*, substance/substantive, form/formative).

How different are these two understandings of *materiality*? Perhaps less than one might think. This chapter will close the gap. I suggest that the accounting practice of *materiality* ought to be seen in terms of the new materialisms. It is a site at which entanglements of matter and meaning iteratively and intra-actively participate in the ongoing becoming. The iterative, intra-active and ongoing becoming refers to both how things come to be material and how accounting inscriptions and artifacts performatively enact further matter-meaning assemblages. Merging meanings of materiality has the potential to deepen understanding not only of *what* is material (in an accounting sense), but also of how things come to be material (again, in the accounting sense), and importantly, of the constitutive power of accounting practices.

In brief, I will argue that the inscriptions in an artifact (*e.g.*, accounting software or public disclosure) are traces of interactions (“interference” (Barad, 2007; Haraway, 1997)) of different entanglements of matter and meaning. Deeming an item of information material or immaterial materializes the item of information into the accounting system or disclosure in some form (visible-tactile disclosures or hidden in the calculative shadows of a more important whole). Whether the item is inscribed, and where, is not simply accounting judgement. It is the interacting performance of many things including the prior inscriptions, templates, technology, objects, and other knowledge communities

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<sup>4</sup> “Materiality: That which constitutes the matter or material of something; the quality of being composed of matter; material existence; solidity; and the quality of being relevant or significant. *Law*: the quality of being material. *Accounting*: the quality of being sufficiently significant to require separate disclosure.” ~ The Oxford English Dictionary

(for example, risk management (Power, 2013) and responsible investing (Hockerts & Moir, 2004)). As performances, the traces are citations of various expertise, practice, and form, but never fully identical. Understanding these interactions gives us tools to better understand the accounting concept of materiality.

Materiality judgments are practices-of-knowing (Barad, 2007) through which certain things are given material form and other things are not. Once inscriptions are assembled (and not) into an artifact (accounting system, public report), the matterings performatively enact further reconfigurations of matter and meaning in the world. Accounting numbers influence the disposition of machinery, inventory, furniture, etc. (Macintosh, 2002, p. 86). As a certain set of matterings with particular inclusions and exclusions, they influence discourse (Llewellyn & Milne, 2007; Ferguson, 2007). They also partake in the reconfiguring of neural matter (Bennet, 2010 Tomkins, 1962|2008; Barton, Berns & Brooks, 2014), such that repeated accounting matterings, causally — but not deterministically — become the biologically materialized form of what Bourdieu called habitus (Bourdieu, 1980|1990), generating public interests in the telos of accounting (Shearer & Arrington, 1993). This is important because it highlights the mundane practices of inscribing and *doing* materiality to accounting's ability to generate public interest, which in turn demands the accounting it requires (Neu & Graham, 2005, p 585).

The chapter is organized in three sections. First, it offers a framework for conceptualizing the pervasiveness of accounting materiality as a chain of temporally specific materializing moments across three strata. The moments of materialization are entity-level policies that govern the entry of a transaction or economic event into the accounting system; preparing and auditing financial statements (IASB, 2015); and certain standard-setting decisions (Young, 2003). The strata of materiality are the materiality of categories, the materiality of evidence to assess the categories, and the material form inscriptions should take in the accounting system and financial statements. The materiality chain articulates when and what is being assessed when accountants, interacting with other human and non-human actors, are *doing* materiality and the consequences that follow. At the end of the first section, the chain is briefly elaborated using the case of ESGI disclosures.

Second, the central premise of the chapter is argued: materiality in accounting is, in fact, similar to materiality as understood by the *new materialism* (Coole & Frost, 2010; Barad, 2007). Materiality — in both senses — is “the effect of power, as power’s most productive effect” (Butler, 1993, p. 2), and “a dynamic intra-active becoming that is implicated and enfolded in its iterative becoming” (Barad, 2007 p. 151). Using the new materialisms to understand accounting materiality as a practice-of-knowing helps to clarify how accounting performs and how things come to be material.

Third, the paper mobilizes insights from prior literature to draw out the theoretical constructs that underpin this new understanding of materiality. This begins with elaborating the ontological relationship between accounting inscriptions and the three-dimensional things (Butler, 1993; Barad, 2007, Scott & Orlikowski, 2012). Situating accounting materiality within an ontology that theorizes matter and meaning as entangled, means that inscriptions must be seen as performative enactments (rather than representations) of agentive material-discursive assemblages like plant and equipment. This is followed with an overview of extant work on inclusions, exclusions, formats and arrangements, devices and templates, apparatus and interactions. The purpose is to show that the tenants of new materialism have already been elaborated with respect to accounting, but theoretical work has not yet made the bridge to the accounting practice of materiality.

### Accounting Materiality: a multi-strata concept forging matter and meaning

For accountants, paragraph QC 11<sup>5</sup> of the IFRS conceptual framework often serves as a stand-in for a definition of materiality:

Information is material if omitting or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other

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<sup>5</sup> Edgley (2014, p. 258) quoted this similar statement from IFAC: “Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.”

words, *materiality is an entity-specific aspect of relevance* based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.<sup>6,7</sup> (IASB, 2010, p 17 emphasis added)

This definition states that materiality (or lack thereof) is a property of an item of information. The property of the item would, it is implied, be evident if primary users of general-purpose financial statements could be consulted prior to disclosure (Lo, 2010, p. 133). Given this is not possible, preparers and auditors must use their own judgment to determine if an item is material, and these judgments are based on other properties of the item that are expected to be highly correlated with materiality, namely magnitude and nature of the item. Elsewhere, IASB elaborates that materiality is not a discrete condition but a continuum with more material items meriting more attention to omission and misstatement, and more prominence in their disclosure (IASB, 2015a).

In practice and academia, the issue of materiality is most often taken up in relation to preparing and auditing financial statements (IASB, 2015a; Eilifsen & Messier, 2015; Lo, 2010; Heitzman *et al.*, 2010), particularly in relation to numeric thresholds; for example, 5% of income from continuing operations; 5% of net income before bonus; or ½ to 2% of revenues or expenses for not-for-profit entities (Messier *et al.*, 2005). Accountants are not in the habit of thinking of materiality as anything other than a descriptor of errors and omissions that arises during statement preparation.

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<sup>6</sup> The March 2014 Exposure Draft *Disclosure Initiative: Proposed amendments to IAS 1* proposed to revise the definition to "Information is *material* if omitting, misstating or obscuring it could reasonably be expected to influence decisions of the primary users of general purpose financial report make on the basis of financial information about a specific reporting entity."

<sup>7</sup> The conceptual framework for general-purpose financial reporting by public-sector entities add the discharge of accountability to their definition of materiality: "Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFRs prepared for the reporting period." (IPSASB, 2014, p. 32)



Thinking more precisely about materiality in its full pervasiveness is unfamiliar, but doing so is useful to understanding materiality itself. Materiality “influences decisions regarding the collection, classification, measurement, and summarization of data. It also bears on decisions concerning the presentation of that data and the related disclosures in financial statements” (Financial Accounting Standards Board’s Discussion Memorandum (FASB 1975, 3).

To fully understand the pervasiveness of materiality, it is useful to map when and by whom, and pertaining to what, materiality judgments take place. Figure 2.1 conceptualizes materiality as occurring in different positions in a space defined by moments and strata. The moments are standard-setting, creating accounts and recording events in an entity’s accounting system, and statement preparation. The strata are categories, evidence and form (I define these below). Materiality judgements *can* occur at any position in this space, but in practice they tend to occur at particular positions of moments and strata.

These positions are linked in a chain of influence such that materiality judgements in one position influence those in another. For example, decisions taken by standard setters precede — and delineate the possibilities and constraints of — judgments taken in the context of setting up a company’s accounts, which in turn delineate the possibilities and constraints of judgements taken preparing and auditing financial statements. I use the metaphor of a chain rather than a cycle to emphasize the ongoing becoming. The chain should be conceived as perpetually forming as accounting cycles occur; new links are added from the different moments and strata, in no particular order. Materiality is a practice that pervades and precedes every accounting decision from standard setting through to creating a structure of accounts and recording each transaction. Earlier judgments create the possibilities and constraints of the materiality judgments that follow later in the chain. With each link, materiality is implicated in the fusing of fixity-ness of an item of information in the accounting system and discourse about what matters.

The materiality judgments that accountants are most accustomed to thinking about – those made at the time of preparation and auditing of the financial statements – focus on two strata: evidence and

form. Evidence refers to the numbers used to populate the different elements of financial statements and other accounting disclosures. Materiality judgments about evidence assess if something is appropriately classified, if it's valued appropriately. Materiality asks if any discovered misstatements and omissions result in the aggregate number being not correct enough (IASB, 2015b; Eilisen & Messier, 2015). Most accounting numbers must be left in the calculative shadows. They contribute to the correctness of an inscribed number but themselves remain invisible. Materiality involves assessing if the stated information is correct enough and ensuring that non-material information is excluded: too much information rendered visible can obscure the relatively more material information (IASB, 2015b; Ernst & Young, 2010).

Form refers to presentation of accounting reports. Accountants assess the nature and importance of an item to determine if it should be a line item in the primary financial statements, disclosed in the notes as explanation or elaboration, mentioned in an MD&A or left in the calculative shadows (IAS 1). Materiality judgments about form require an assessment of which differences matter. IAS 1 states, "An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial." For example, if some set of leases has significantly different characteristics than the larger pool of leases, the *different* subset should be presented separately (IASB 2015a). Differences that are deemed to matter (be material) are given clearer, sharper, more definitive material (physical) boundaries in the accounting disclosure than differences that are not material.

Materiality is also assessed in mundane ways every time there is interaction with an accounting system, or a decision not to interact. As Frishkoff (1970, p. 116, emphasis added) said: "The assumption that the item in question is in some sense material is *implicit in every decision to render some event into a financial datum*, to classify a transaction, to dispute some controversial accounting treatment. Thus, for every decision made in accounting there is a prior, often subconscious decision that the item in question is material. Why else bother about it?"

Frishkoff draws attention to the daily practice of materiality done by people throughout the organization at moments of recording transactions and implementing accounting policies. Ordinary materiality judgements are made by a consultant deciding how many hours to report on a timesheet, an employee deciding if an expense is worth claiming, or colleagues in different divisions deciding whether their collaboration is worth recording at an internal transfer price. Accounting policies will influence these decisions while still leaving space for discretion (leaving aside intentional deceit) about the nature and magnitude of the item and if it is materially worth materializing into the accounting system.

Within the calculative shadows of financial statements reside the traces of materiality judgments about which differences matter enough to be worth the effort of classification at the moments of journal entry. One manual on coffee shop inventory control, for example, suggests maintaining a designated garbage bin for broken food items so that this inventory waste can be recorded separately from other forms of shrinkage.<sup>8</sup> Doing so requires a specific inventory sub-account, without which differences in types of waste are rendered equivalent. The decision to distinguish and record damaged inventory inscribes difference into the accounts, creating the possibility of future materiality assessments. Once a sub-account is created in the accounting system it shapes which differences matter.

Materiality judgments made when the system of accounts is created and when transactions are entered create inclusions, exclusions and arrangements within the accounts that affect the evidence that can be mobilized in later materiality judgments and the possibilities of disclosure. In making materiality judgments, individuals throughout the organization create inscriptions that enact equivalence and

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<sup>8</sup> The inspiration for this example came from watching the different ways the coffee shops I frequent deal with mistakes in fulfilling orders. At one major chain, the drink is simply remade. There is no interaction with the POS device. At another major chain, the coffee is remade and at the POS device, without the customer's involvement, a coupon is issued to the customer that is then immediately redeemed to pay for the replacement coffee, presumably implicating a gratis account of some sort (The Uniform System of Accounts for Restaurants (National Restaurant Association, 2012) recommends specific marketing expense accounts for the costs of gratis items). Only in one of these shops are gratis items visible, materialized in the accounts, differentiated from spills and theft.

difference, and assert what matters. Each of these materiality judgments are rendered into the structure of the accounts in visible tangible ways and influence the possibility of inscription, as well as the possible meanings that can be gleaned from them, in subsequent materiality judgments.

Materiality is also done during standard setting, under the rubric of relevance. In accounting, something is relevant if it is “capable of making a difference in the decisions made by users” and materiality is the “*entity-specific aspect of relevance*” (IASB, 2015a).<sup>9</sup> The equivalency of the terms relevance and materiality at the entity level is evident in IASB’s description of the disclosure problem, which they define as “the disclosure of too much irrelevant (i.e. immaterial) information and not enough relevant (i.e. material) information” (IASB, 2015b, p 2).

At the standard-setting level, relevance can be understood as assessing the materiality of the category. As was submitted to FASB on the distinction between materiality and relevance:

“A decision not to disclose certain information may be made, say, because investors have no interest *in that kind* of information (it is not relevant) or because the amounts involved are too small to make a difference (they are not material). But as was noted above, magnitude by itself, without regard to the nature of the item and the circumstances in which the judgment has to be made, will not generally be a sufficient basis for a materiality judgment” (FASB, 2015 Comment letter #49, p. 4, emphasis added).

In other words, relevance is the name we give to assessing which categories are material (if omitted would affect a reasonable investor’s decision). The conceptual framework specifies a set of elements that are deemed to be *relevant* to all entities (IASB, 2015): assets, liabilities, income, expense, gains and losses. These elements are pre-judged to be material (relevant) to all entities. They delineate the categories that each entity must consider en route to accomplishing the entity-specific application of the standard (Young & Williams, 2010<sup>10</sup>). The income statement and balance sheet are included in all

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<sup>9</sup> IPSASB has a different view. IPSASB “is of the view that materiality has a more pervasive role than would be reflected by its classification as only an entity-specific aspect of relevance” (IPSASB, p. 40).

<sup>10</sup> The word category was chosen with reference to Young & Williams (2010): “Categories such as

financial disclosures because the standard-setting bodies have deemed income, expense, asset and liability to be material to all entities. There is no revenue or expense number so immaterial that the income statement could be relinquished to a footnote. The category of income is material to every specific entity, at all times, by fiat of the accounting standard.

The categories that are deemed material to the assessment of the performance of an entity are not static. These categories can change. In the early days of accounting, revenue and expenses were not standard elements of disclosure (Hawkins, 1963). Creditors and bankers were accustomed to evaluating entities with only a balance sheet (Blough, 1939). The categories are still evolving; for example, an increased focus on the relevance of risk (IASB, 2015a, Power, 2013). The International Integrative Reporting Council and Sustainability Accounting Standards Board have each proposed an expanded set of categories that they assert are material to all entities (see: [integratedreporting.org](http://integratedreporting.org)) or all entities in a particular industry (see: [SASB.org/materiality](http://SASB.org/materiality)).

The manner in which materiality judgements in different moments and strata influence the possibilities of subsequent materiality judgements brings into focus how materiality forges meaning and matter. Only certain items are selectively inscribed in the double entry system. This includes selecting and inscribing differences that matter. Those items belonging to those (differentiated) classes that are most meaningful are given greater form and distinction in the accounts and disclosures. The more material (significant) an item is, the more clearly its material boundaries are rendered in the financial accounts. The precise contours of revenue will be manifested in the accounts with inscriptions articulating the dates

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financial statement elements should be regarded as radial categories.” Lakoff (2002, p. 6) describes these categories as “not definable in terms of some list of properties shared by every member of the category. Instead, they are characterized by variation on a central model...So although definitions of accounting categories exist, the items appearing on the standard-setting agenda rarely conform precisely to these definitions and, therefore, cannot be said to sort themselves into or exclude themselves from particular categories” (Young & Williams, 2010, p. 510, 511).

of sales and amounts, linked to a customer or a location. An aggregation of these inscriptions will form in the notes, perhaps by segment. Revenue itself will be given a sharp rendering in the income statement. Less material (significant) items are rendered undifferentiated within greater wholes — waste and theft may sit within inventory shrinkage undifferentiated and un-differentiable because the accounts required to differentiate them were never inscribed into the system. More material items are more materialized into accounting statements. Gradients of materiality-significance correspond to gradients of materiality-matter. Materiality in accounting is a practice through which beliefs about what matters shape what items and differences materialize (take shape) into accounting inscriptions. The material form is entangled with ideational qualities. Materialization early in the chain is implicated in materialization later in the chain, and ultimately what materializes into financial disclosures that circulate in public spheres (the public sphere in turn influences how accountants assess materiality).

The first move in this exploration of materiality was to highlight how the common understanding of materiality as a practice of assessing the risk and/or severity of misstatements and omissions is too narrow. Materiality is a broad set practice occurring at different moments and strata. The strata are the categories that are material to the assessment of performance, the evidence that informs the categories (rendered in the structure of accounts) and the form the inscriptions take once recorded and disclosed. Materiality judgements at each stage and moment iteratively shape the possibilities and constraints of later materiality judgments, in an ever-forming chain from standard setting, entity-level accounts, data entry, and the preparation and auditing of financial statements. These inscriptions rendered because they are material become financial statements that are necessarily persuasions about certain versions of “what matters.” Materiality in accounting is a practice in which those items that are said to matter are materialized as inscriptions. Materiality, therefore, is a mundane everyday practice by which accounting constructs what *is* in the image of what matters. This is what is meant by the performative nature of materiality.

## The Materiality Chain and Corporate Responsibility Disclosures

The performative nature of materiality is already visible in corporate ESGI disclosures.

Corporate ESGI inscriptions have challenged what is material in financial disclosures. They have destabilized “what matters,” reconfigured the set of inscriptions that materialize and that are material (in the accounting sense) such that IASB is now collaborating with ESGI actors to redefine materiality (Corporate Reporting Dialogue, 2016). Emerging corporate social reporting regimes are changing what becomes inscribed into the accounting system and performatively enacting what matters to the interests accounting serves.

ESGI inscriptions arose from narrow and specific events and a few actors rather than a groundswell of user demand. Their materialization began with “individual investors contacting firms with very specific queries about social issues” (Hockerts & Moir, 2004, p. 90). These calls were fielded on an ad-hoc basis by investor relations professionals (Hockerts & Moir, 2004). Activist organizations, such as the Carbon Disclosure Project (Hebb, 2008) and rating agencies such as Kinder, Lydenberg, Domini (KLD)<sup>11</sup> developed specialized social and environmental screening criteria (Chatterji, Levine & Toffel, 2009). Activist organizations, rating agencies and voluntary reporting standards, such as the Global Reporting Initiative (GRI), adopted and stabilized the specific indicators and measures of small activist communities at a particular time.

Despite evidence that ESGI disclosures did not alter the economic behaviours of most investors and consumers (Wai Kong Cheung, 2011), the categories, indicators and format of the activist communities began to materialize into firm-level performance measurement systems. Companies developed their internal ESGI performance management systems using indicators, “selected with the

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<sup>11</sup> Now called MCSI - <https://www.msci.com/esg-indexes>

purpose of conforming to external requirements” such as GRI, often “without modification or addition” (Arjaliès & Mundy, 2013, p. 294; also Vesty, Telgenkamp & Roscoe, 2015). For corporations who “were scratching their heads” about how to respond to activist investors, these rating methodologies and voluntary standards were “a blessing” because they provided a checklist of items that mattered (Hockerts & Moir 2004, p. 91 p. 538).

The items that were already built into the calculative spreadsheets of rating agencies and into the reporting templates of voluntary standards began to take shape in the entity-level performance measurement systems. This created greater consistency in firm disclosures (Hockerts & Moir 2004, p. 91, p. 538). The consistency, in turn, began to influence the cognitive schema of readers who use the disclosures and ratings, creating “a stimulating effect” on attitudes of consumers and investors (Dubbink, Gaarfland & Liedekerke, 2008, p. 393).

In the last decade ESGI categories and indicators have acquired greater materiality (in both the tangible and accounting senses of the word) through a process consistent with the materiality chain. In 2004, Investor Relations professionals in firms with ESGI performance data proactively educated the “non-SRI inclined” mainstream investors regarding the “materiality of a proactive corporate responsibility strategy” (Hockerts & Moir, 2004, p. 94). In 2011, The International Integrative Reporting Council (IIRC)<sup>12</sup> proposed a different set of material categories to those of IASB. The categories that they make reference to are those established by the earliest activists. These measures are attractive because they align with what organizations have already materialized into their accounting and performance

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<sup>12</sup> IIRC sees itself as an accounting body. It has defined materiality as a different type of “mattering” influenced by GRI and others. “In Integrated Reporting, a matter is material if it could substantively affect the organization’s ability to create value in the short, medium or long term. The process of determining materiality is entity specific and based on industry and other factors, as well as multistakeholder perspectives” p 4 (IR 2014). Like accounting materiality before it, this process is for “Filtering matters by identifying their relevance, evaluating their importance and prioritizing them based on their relative importance...setting the reporting boundary [and] determining disclosures” (p 4).



measurement systems, and what statement users are already accustomed to seeing. The Statement of Common Principles of Materiality (Corporate Reporting Dialogue, 2016) is evidence that what is material to mainstream financial accounting is in the process of being destabilized by the enactments of a small group of people performed by a process of materializing particular inscriptions at all stages in the accountability chain.

The mechanisms by which this works can be elaborated using the new materialism, which defines materiality as a “*process of materialization [stabilized] over time to produce the effect of boundary, fixity, and surface we call matter*” (Butler, 1993, p. 9).

### The New Materialism

The new materialism can help to shed light on what comes to matter and the consequences of materiality. Before proceeding, the terms “text,” “artifact” and “inscription” merit some elucidation. They refer to similar things but with different theoretical ancestry that focus our attention on different aspects of the accounting document. In the accounting literature, “text” is most commonly associated with discourse theory (Llewellyn & Milne, 2007; Ferguson, 2007) where it tends to refer to classes of public-facing reports such as analyst reports (Tan, 2014), annual reports (Davison, 2014; Preston & Young, 2000) and Social and Environmental Reports (SER) (Tregidga, Milne & Kearns, 2014; Archel, Husillos & Spence, 2011; Spence, 2007). In accounting, “artifact” is often used to emphasize the material-physical characteristic of accounting documents (Pollock & D'Adderio, 2012), directing theoretical attention to how accounting documents can function as furniture in which “agency and practices reside” and through which agency and practice happens (Whittington, 2011, p. 185). “Inscription” tends to refer to the “material and graphical representations that constitute the accounting report: writing, numbers, lists, tables” (Robson, 1992, p. 685). Sometimes “text” is used in this context to denote a form of inscription; for example, “text, diagrams and pictures” (Ezzamel, Lilley & Willmott, 2004, p. 790), or “numbers and text” (Jørgensen & Messner, 2010, p. 199). In my own work, I use artifact to refer to a specific, singular,

complete accounting document or software, and inscriptions to refer to the markings contained and arranged within the artifact. I understand artifacts and inscriptions as part of “text.” This delineation allows a layered analysis of materialization, format and arrangement, following other recent similarly layered theorizations, such as examinations of graph and script within a book (Quattrone, 2009), or tables, colours, flashes and windows on an electronic trader’s screen (Preda, 2009; Tan, 2014) or dots and words in a “magic quadrant” (Pollock & D’Adderio, 2012).

In the following section I describe the new materialism. I highlight the process of materiality, and its fluidity and entanglements with ideation and how meaning is never prior to matter, or vice versa. In subsequent sections these insights will be used to illuminate how things come to be material, in an accounting sense.

### **Materiality as a *doing***

The new materialism can serve as a descriptive theory of how accounting participates in the performative enactment of meaning and matter, and how things come to be material in an accounting sense. Matter, under the new materialism, is no longer rooted in the Cartesian notion of three-dimensional inert mass, but has caught up with the natural sciences and is conceived of as a physiochemical process (Coole and Frost, 2010). Matter is neurons, electrons and protons, and the arrangements comprising them. These hold together<sup>13</sup> to form objects that appear to have “brute thereness” (Coole and Frost, 2010, p. 7): plants, property, equipment, paper, ink and computer screens that render inscriptions.

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<sup>13</sup> It is interesting to compare this notion of materiality and how it “holds together” to Callon (2005): “Materiality and physicality must not be confused. A fish sold on the Marseilles market or a week’s skiing holiday bought by an English person dreaming of snow and sun are both material, in the sense that they both are things that ‘hold together’ and that can be appropriated because they have objectified properties” (p. 6).

Understanding matter as comprised of, but not reducible to, “little bits of nature” draws attention to three properties of interest to accountants. First, it emphasizes the materiality of idealities. Lust, ambition, value, worth, emotion, language have typically been understood as fundamentally different from matter (Coole and Frost, 2010), yet none of these can be fully separated from matter nor can they be reducible to matter. Lust is, but is not reducible to, particular material arrangements of bits of matter in hormones and neural pathways (Young, Murphy Young & Hammock, 2005). So too is affect and value (Kringelbach & Berridge, 2015). Matter (electrons & neurons, etc.) is entangled with, not in opposition to, ideational notions of worth, value and power (Bennet, 2010). This applies to accounting inscriptions and other material objects.

Second, *all* material arrangements are *always* in flux. Electrons move freely and unpredictably in and out of these assemblages of plant, equipment, paper, etc. Atoms jostle and reconfigure as they warm. Molecules separate and recombine. Arrangements corrode, rot, grow, erode. Objects like desks, people and buildings arrange into the materiality of a university in ways that “hold together” even as desks, buildings and students are moved and replaced. Materiality is always materializing. Physiochemically, materiality is “substance in its intra-active becoming; not a thing but a *doing*” (Barad, 2007, p. 151, emphasis added). Materiality is the process of becoming material. Materiality is always in flux, but it can appear fixed. Repeated processes in a particular apparatus produce the effect of stability: It is “a *process of materialization that stabilizes* [Barad might say “may stabilize”] *over time to produce the effect of boundary, fixity, and surface we call matter*” (Butler, 1993, p. 9, emphasis in original).

Thirdly, although the total quantity of matter is constant, the arrangements are constantly being reconfigured because of iterative intra-actions with human and non-human discursive practices. Discourse, in the non-humanist sense, is “specific material (re)configuring of the world through which the determination of boundaries, properties and meanings is differently enacted” (Barad, 2007, p. 151). Intra-actions are “causal (but nondeterminate) enactments through which matter-in-the process of becoming is sedimented out and enfolded in further materializations” (Barad, 2007, p. 170). Entanglements of ideas

and atoms (like an accounting software) are always bumping into other entangled mixes of ideas and atoms (like people and office spaces and valuation calculations and food waste and expense reports). When these things interact, new entangled arrangements of ideas and atoms emerge that are what matters. The fixity sense of boundary is transient, for granite, universities, brain matter and so on; held together for some period of time by both physical forces and inter-subjective meanings and rearranged by interactions with other material-discursive entanglements.

In the new materialism, material objects are entangled with meaning. This goes deeper than Foucault's claim that material objects support and sustain discourse. It is even a step beyond Butler's extension that materiality is the productive effects of Foucauldian regulatory power (Butler, 1993, p. 9). Discourse is comprised of matter, and all arrangements of matter are deeply and profoundly ontologically comprised of discourse. All matter is *entangled* with discourse: "Neither discursive practices nor material phenomena are ontologically or epistemologically prior. Neither is reducible. Neither has privileged status in determining the other. Neither is articulated or articulable in the absence of the other; matter and meaning are mutually articulated" (Barad, 2007, p. 153).

### **Inscriptions as entanglements of matter and meaning**

The new materiality invites a re-considering of the ontological relationship between accounting inscriptions and both three-dimensional things (products, property, people, etc.) and seemingly abstract things (value, worth, public interest) that are at play in the materialization of financial accounts. By ontology of the inscription, I do not wish to establish what is real and what is not (Hines, 1991; Mattessich, 2003; Macintosh, 2009), but what is matter and what is not. In this section I elaborate upon how inscriptions are themselves entanglements of matter and meaning, and a performance (rather than representation) of valuations and 3D objects.

Much accounting scholarship to date has seen inscriptions as abstract signs that are *representations* of three-dimensional things (Macintosh *et al.*, 2000; Hines, 1992, p. 314; Graham, 2008;

Roberts, 1991) or *translations* (Latour 1983; Robson, 1991) of the three-dimensional world. As representations, accounting inscriptions are depicted as other-than the “coarse materiality of the thing” (Shearer & Arrington, 1993, p. 262) or of the “non-material sign realm” (Macintosh, 2002, p. 67) such that “the Balance Sheet *representation* for Plant and Equipment is not the object in itself” (Robson, 1991, p. 551, emphasis added), but something else. Accounting inscriptions are not understood as *material* like the furnishings of the manufacturing environment, but as something “disembodied” (Ezzamel *et al.*, 2004), like an image in a “distorting mirror” (Roberts, 1991, p. 360) in the “image of events that counts” (Roberts, 1991, p. 363).

These conceptions draw attention to the ideational entanglements that happen in moments of inscription that render inscriptions “in the service of the end that accounting serves” (Shearer & Arrington, 1993, p. 262); the way accounting inscriptions produce a particular reflection in a mirror. But to make these assertions, representationalist theories strongly juxtaposed abstraction (to which they ascribe flexibility and ideality) and material-tangibility (seen as inert and without ideality): “Accounting imposes form over matter at every turn, granting positivity to abstract objectifications and diverting materiality to the negative space left in the wake of such abstractions” (Shearer & Arrington, 1993, p. 260).

The trouble with relying on abstraction to understand accounting numbers and reports is that inscriptions *are* material. Even as inscriptions are de-materialized by representationalist theories, authors have footnotes acknowledging that inscriptions have a materiality to them (*e.g.*, Shearer & Arrington, 1993; Ezzamel *et al.*, 2004). Elsewhere, accounting inscriptions have been defined as “the *material* and graphical *representations* that constitute the accounting report writing, numbers, lists, tables” (Robson, 1992, p. 685). The inscriptions, as signs, are given materiality: signs cannot be articulated as belonging in some category called language that is separate from some other category called matter (Macintosh, 2002). “The process of signification is always material; signs work *by appearing* (visibly, aurally) and appearing through material means” (Butler, 1993, p. 38). The materiality of inscriptions is also associated with the

power of accounting to act (Davison, 2011; Justesen & Mouritsen, 2009). Inscriptions are seen as “*material* bases for the development of knowledge” (p. 689) because their materiality allows “mobility and stability, which make *possible*, rather than merely reflecting, particular cognitive developments” (Robson, 1992, p. 699). Moreover, materiality lends a power to inscriptions to travel through time and space, denied to spoken signifiers (Derrida, 1988). Evidently, inscriptions cannot be removed from the material realm (if that is even possible) in order to understand what it is that accounting does as numbers are entered into accounting systems and assembled into artifacts, and why particular inclusions, exclusions and arrangements materialize.

Accounting inscriptions as translations, and the broader ANT literature, moves accounting inscriptions toward the emerging sociological conceptions of materiality. Here inscriptions are material, but specially imbued with ideational qualities that make them different from other material things. In the case of translation, the imbuing occurs through “a particular method of categorizing, measuring and inscribing” (Robson, 1991, p. 551) to “create equivalences” (Robson, 1991, p. 550). As signs, Macintosh (2002) described inscriptions as “material things and the site of struggles of their meaning” (p. 17). More recently, accounting inscriptions have also been described as having “no clear boundary between what is ‘social’<sup>14</sup> and what is ‘material’” (Pollock and D’Adderio, 2012, p. 568), or as belonging to a class of ‘market devices’ that are “material and discursive assemblages that intervene in the construction of markets” (Muniesa *et al.*, 2007). Boedker and Chua (2013) described the “material forms of accounting (be they budgets, standard costs, annual accounts, balanced scorecards, strategic plans, and the like) ... as ‘generating entities’ that mobilize particular actions and move people in certain directions” and as “actors that re-present and actively construct particular realities....meaningful interaction and the normative and political rules of organizations and communities” (Boedker & Chua, 2013, p. 246; see also Cooper &

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<sup>14</sup> Some new materialists would prefer a non-humanist approach that does not equate discourse with social eg. Barad, 2007; Coole & Frost, 2010; Bennet, 2010.

Ezzamel, 2013). In these theorizations it is recognized that the particular materialization of an accounting inscription is a performance of certain discourse and that the materialization has performative or constitutive power to enact ongoing meaning and mattering in its likeness. However, it seems to be implied that inscriptions are ontologically different than the coarse three-dimensional things, which are material, but somehow not socio-material.

The new materialism sees inscriptions as described above, but also sees all matter as entangled with meaning. This does not deny that something profound happens in the rendering of a two-dimensional inscription, but that inscription is not given privileged ideality over the three-dimensional objects. Machinery, inventory, crude oil reserves and carbon emissions are all entanglements of matter and meaning and all generating entities. All are in a constant process of an ongoing becoming of something else; they are all doing materialization of accounting numbers — their matter makes inscriptions materialize. The new materialism invites us to understand accounting inscriptions as agentive performances of other material-discursive entanglements (like inventory and crude oil reserves) as part of the ongoing generative becoming of materialization of three-dimensional things, other inscriptions and the arrangement of human synapses.

### **Inscriptions as performance, not representation**

Rather than *representing*, accounting inscriptions should be understood as entanglements of matter and meaning performatively produced through particular material-discursive practices (Sundström, 2015). Representation assumes an ontological distinction between the inscription and the things they purport to represent (Barad, 2007; Hacking, 1983). New materialism sees inscription and three-dimensional things alike as entangled with intelligibility and ideality.

Performativity draws attention to a causal (but non-determinate) relation between objects and inscriptions without relying on representation (Barad, 2007). Performativity began as a theory of language's ability to constitute new realities. In opposition to dominant views on language that prevailed

at the time, Austin (1955|1975) coined the term performativity to name occasions when language does not simply describe reality, but creates it. Words like “I do,” “I promise,” “I sentence” create marriages, obligations and prison terms that did not, and could not, exist without the language (Loxely, 2007).

Performativity under Butler (1993) was recast “not as the act by which a subject brings into being what she/he names, but rather as that reiterative power of discourse to produce the phenomenon that it regulates and constrains.” Butler’s performativity is an optimistic theory (McKinlay, 2010). Rather than seeing the cultural subject as defined through scripts, it allows for an empowering process by which scripts are borrowed, repurposed and reprocessed in an act of empowerment.

“As much as ‘performativity’ exposes the normativity of certain kinds of descriptive claims, it also offers a way to think about how something new can come into being through language. More specifically, it offers a way to think about how new discourse can emerge precisely where it was not already legitimated. I take it that this is the important departure from certain versions of the speech act, and performativity more generally, that assume that it can only ‘work,’ that is, be effective, on the condition that established conventions of power remain in place despite being actively contested” (Butler & Athanasiou, 2013 p 120).

Performativity produces through iteration and reiteration (McKinlay, 2010, p. 235). Butler notes that discourse is produced and reproduced each time the scripts are repeated. But, as Derrida (1988) emphasized, citationality need not, in fact, cannot, have total fidelity to some original signified. The signifiers cite the signified in a process open to intentional transformation. Through playful citation and iteration unfolds the things that are matter and do matter. Butler & Athanasiou (2013 p 140) describe this beautifully as “a differential and differentiating process of materializing and mattering, which remains uninsured and unanticipated persistently and interminably susceptible to the spectral forces of eventness”.

Building from Butler, Barad’s (2007) performativity is directly linked to materialization. She uses the word diffraction, referring to interference patterns created when waves interact with other waves or objects, to describe materiality (“marks on bodies”) as traces of interactions of human and non-human actors, such that the materializing is itself a performance of prior matter and meaning; not a direct reproduction with total fidelity, but citations with traces of the interactions.



Barad's notion that matter as a performative production of prior materializations brings *the new materialism* in line with Edgley's recent assertion that materiality (the accounting term) is "a performative activity at the crux of truth games" (Edgley, 2014, p. 255). Plants, equipment, products are entanglements of material-discursive practices and are agential in the performative productions of accounting inscription. The inscriptions themselves are agential in a performative ongoing unfolding of arrangements of matter, including "the disposition of material objects (machinery, inventory, furniture, cabinet, etc.)" (Macintosh, 2002, p. 86) thereby entangling coarse three-dimensional objects with the ideational qualities that were entangled in the accounting inscriptions. The inscription's entanglements of matter and meaning performatively enact the ongoing becoming of other entanglements. Carbon into the air, a hewn tree, crops, steel, are each entanglements of matter and meaning iteratively and intra-actively enacted by earlier agential material-discursive forms, in which the materiality of accounting inscriptions is implicated.

When accountants *practice* materiality, they inscribe certain things in certain ways and arrange in certain artifacts, they are *doing* materiality in a manner consistent with the sociological meanings. I concur with Edgley (2014) that, "[i]nterpreting materiality as a performance amongst actors and a performative activity potentially opens up new avenues for research" (Edgley, 2014, p. 269).<sup>15</sup> It invites a more nuanced theorization of how things come to be material (and not material) beyond user decision making or professional judgement, both of which are theoretical dead ends. Understanding accounting materialization as a performance of human and non-human actors incorporates the role of professional training and individual differences, theorizing specifically how these will play out, but gives a framework for understanding the non-human, location-specific and time-specific influences that make something material.

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<sup>15</sup> Edgley's (2014) performativity doesn't push the nature of the inscription as far as I have done here. She limits materiality to a component of translation: "Materiality determines the importance of a matter in processes of translation" (p. 267).

It is widely recognized that accounting organizes social space (Rahaman, Neu, & Everett, 2010, p. 1097) through accounting practice (Hopwood, 1987), professional organizations (Annisette, 2000, 2003; Arnold, 2005; Caramanis, 2002; Malsch, 2013) and the material forms of accounting, “be they budgets, standard costs, annual accounts, balanced scorecards, strategic plans, and the like” (Boedker & Chua, 2013, p. 246) as purveyors of certain discourses (Malsch, 2013; Ezzamel, Robson, Stapleton & McLean, 2007; Neu, Ocampo Gomez & Graham, 2006; Preston & Young, 2000; Hines, 1988; Hopwood, 1987). Conceptualizing materiality as an ongoing performative becoming directly links the doing of materiality (in the accounting sense) to the constitutive power of accounting, adding to our understanding of how accounting generates the public interest it purports to serve (Neu & Graham, 2005, p. 585).

### Rethinking Materiality

Rethinking accounting materiality in terms of the new materialism displaces from centre stage the old stalwarts user needs and professional judgement. Moved to the foreground are material-discursive assemblages, particularly inscriptions, accounting systems, standards and devices that interact and performatively assert accounting materiality in an ongoing becoming. Accounting scholars have already identified certain relationships that point to the performative power of accounting artifacts as material-discursive assemblages, and although they did not see themselves as studying materiality, in the accounting sense, their observations are nonetheless informative. In this section I outline the theoretical constructs that underscore accounting materiality as understood through the new materialism. These constructs will be elaborated in future chapters.

#### **Inclusions and Exclusions**

A central construct in materiality is omission. Certain things must be omitted and other things must not be omitted from a public facing disclosure. I refer to these as the inclusions and exclusions in the artifact. Inclusions and exclusions entangle the physical assemblage of inscriptions with discourse.

Discourse is enacted through inclusions and exclusions (Llewellyn & Milne, 2007; Ferguson, 2007). Inclusions and exclusions of inscriptions in the artifacts (accounting systems, public disclosures etc.) constitute an ideality or an entanglement with discourse. Exclusions are a necessary feature of inscriptions and accounts. There are linguistic (Butler, 1997), diagrammatic (Deleuze, 2006; Zdebik, 2012) and epistemic (Messner, 2009; Roberts, 2009; Shearer, 2002) limits to what can be inscribed and relayed. In the same moment that an inscription or artifact comes into existence, by virtue of its formation, it delineates some frame around what is and is not inscribed (Skærbæk & Tryggestad, 2010; Callon, 1998; Butler, 1997). The formation of some inscriptions creates inclusions and exclusions, entangled with the material and discourse.

It has been observed that exclusions enable inscriptions and artifacts to be productive and mobile. Accounting inscriptions and artifacts are deployed *because* of their ability to reduce “the confusion and complexity of human activities...into finite, visual...two-dimensional space” (Chua, 1995, p. 129), thereby turning complex and multi-faceted happenings “into something communicable” (Neu *et al.*, 2006, p. 653). Quattrone (2009) speaks of inscriptions that “have little truth in them...[they] sacrificed details and context for the sake of clarity. This is the only way in which they can effectively communicate and engage the user in a performative exercise” (Quattrone, 2009, p. 109).<sup>16</sup> Exclusions, as much as inclusions, shape how artifacts act.

The inclusions and exclusions in a public facing report are shaped by those in accounting systems. Inclusions and exclusions in accounting systems performatively enact the assemblages that

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<sup>16</sup> It has been argued that sometimes the exclusion of detail is better conceived of as the addition of theory. Pollock & D’Adderio (2012) quoting Lynch (1988) state, “The [graph] does not necessarily simplify the diverse representations, labels, indexes, etc., that it aggregates. It adds theoretical information which cannot be found in any single micrographic representation, and provides a document of phenomena which cannot be represented by photographic means...instead of reducing what is visibly available in the original, a sequence of reproductions progressively modifies the object’s visibility in the direction of generic pedagogy and abstract theorizing (Lynch, 1988, p. 229).” (Pollock & D’Adderio, 2012, p. 569, emphasis in original).

follow. Chua's (1995) examination of the creation of a hospital's public-facing performance report noted that the artifact came at "the end of a cascade of inscriptions, all carefully combined" (Chua, 1995, p. 130); that processes of inclusion and exclusion began long before the moments of fabrication, but with the materialization of particular inscriptions into particular accounts: "The re-presentation [of the hospital]...took hundreds of existing accounts...and recombined them into a new mobile...There was little need to collect any additional information that was not already contained within existing...databases" (p. 129). What had been materialized produced what could be materialized in the system.

The inclusions and exclusions in an artifact produce materiality, in the accounting sense, namely user decision making. Simply including an item in an accounting disclosure alters how material the user judges the item to be. In experiments, users assign some material weight to all items presented (in an accounting sense), such that when greater numbers of items are presented, the weight placed on each individual item declined. This is true even if the addition items are "nondiagnostic" (Nisbett *et al.*, 1981). The inclusion of "nondiagnostic" items in a disclosure resulted in users judging "diagnostic" items as less material (Maines & McDaniel, 2000; Nett *et al.*, 2015). In a challenge to the assumed directionality that users have a pre-existing decision process and will only use items that are material to it, this study suggests, to the contrary, if materialized as a disclosure (in atoms, pixels and ink), it will matter. Including an item in an accounting disclosure makes it material in the self-reported judgments of users.

### **Format and Arrangements**

Another construct in materiality is the format (table, paragraph, graph) and arrangement (order, size, linkages on a page) of the inclusions and exclusions, and how present formats and arrangements enact future formats and arrangements. Materializing requires categories and relationships, which are preceded by internal mental visualizing of how inscriptions relate to each other, which is structured by conceptions of performance, and influenced by the scaffolding of methods and approaches. Proximity, labels and linkages influence which inscriptions are important to users (Lipe & Salterio, 2002; Maines &

McDaniel, 2000; Tan & Tan, 2009; Blocher, Moffie & Zmud, 1986; Brown, 2010; Davison, 2013; Quattrone, 2009). Grouping information in categories suggests to the user ways to combine and use the data that results in managers incorporating more items into their decision processes and reaching different decisions than when the same indicators ungrouped (Lipe & Salterio, 2002). Where non-financial information is placed in relation to the financial information influences the relative weights users assign to the different types (Cardinaels & Veen-Dirks, 2010). Items presented “in pieces” and as a total are assessed to be more material than the total alone (Fischhoff *et al.*, 1978).

Arrangements also shape how artifacts act (Pollock & D'Adderio, 2012; Manochin, Brignall, Lowe & Howell, 2011). Qu and Cooper's (2011) analysis of a balanced scorecard implementation observed that the meaning of measures, as they relate to an account of performance, is given flexibility as measured and recorded items are “lifted out of their ‘lived’ context” (p. 360) and reassembled into new arrangements. Once coherently assembled, the amalgamated text flattened and made un-convoluted, creating a “perceived ‘objective’ quality” (p. 360) not present in the full set of prior inscriptions or prior to arrangement. Arrangements are entangled with ideality.

### **Devices, Templates and Materialized Professional Expertise**

Expertise is entangled with the inclusions, exclusions and arrangements in templates, such as required financial statements, norms for the layout of annual reports, or performance measurement tools like balanced scorecard and dashboards. Template-devices are *arrangements* of unspecified inscriptions. Templates function like standards (or standards like templates). They construct “accounting facts by including and excluding particular matters, transactions and objects...Through inclusion by measurement and disclosure, importance and relevance are assigned to some matters and objects; and through exclusion, immateriality and insignificance are ascribed to others” (Young, 2003, p. 621).

Expertise is entangled with the materiality of the template both inscribed into the form by experts in the image of their conceptual approach, but also as inculcation of expertise, creating the expertise (Tan,

2014). Repeated use of templates is associated with more rigid decision thinking: those with more experience are more focused in their information acquisition (Shields, 1984; Bouwman, Frishkoff & Frishkoff, 1987; Maines & McDaniel, 2000); those with less experience have fewer preconceived processes (Maines & McDaniel, 2000) and are more readily influenced by the inclusions, exclusions and arrangements of an artifact. Experienced analysts do not depart from directed searchers in the face of evidence that the approach is incorrect (Hodge, Hopkins & Wood, 2010, p. 127). Experienced analysts over-responded to the more persistent (familiar) non-voluntary disclosures and under-responded to more predictive but less persistent voluntary disclosures (Simpson, 2010).

Repeated use of particular templates reduces the sensitivity users have to changes in format, thus while the ordinary user's materiality judgements can be altered by a change in the inclusions, exclusions and arrangements in an artifact (as described above), an expert user well-versed in a particular set of inclusions, exclusions and arrangements will have a sedimented set of materiality judgements and will not change materiality preferences upon subsequent changes in format.

Neuroscience suggests that repeated behaviours are materially encoded in neurons and synapses (Martin, 2007), and that the "fixity" of the encoding is most stable where the significance of the cognition is greatest, and where repeated exposure has sedimented the arrangements (Grill-Spector, Henson & Martin, 2006). As understood by the new materialism, repeated engagement with a particular material-discursive arrangement materializes into the body the social body or embodied habitus (Bourdieu, 1980/1990; Bennet, 2010; Sedgwick, 2003). The expertise encoded in templates such as financial statements might produce the matter in minds of users.

Materiality judgments in accounting are moments that performatively enact matter and meaning, creating cognitions that constitute the public interest that accounting purports to serve. Financial

accounting is an apparatus enacting entanglements of matter and meaning in ways that alter minds. It is a technology of the soul.<sup>17</sup>

### **Interactions**

The performative materializing of material-discursive arrangements is causal but non-determinate. Initial inscriptions are not destiny. They do not determine the constitution of the final text in some linear way. Ezzamel *et al.* (2004), for example, find inscriptions persist but meanings change. The artifact as a visual representation shapes but does not determine which inscriptions materialize and in what form (Qu & Cooper, 2011). The initial emptiness of templates opens the possibility for iteration (Martinez & Cooper, 2012) creating a freedom to adapt and innovate within the order that the template provides (Quattrone, 2009). Accounting inscriptions interact with other material-discursive arrangements. What materializes is a citation — an iteration without perfect fidelity — of prior materialities, performatively creating new entanglements. To understand materiality in accounting, accounting traces — the inscriptions in artifacts — can be studied as traces of prior interactions.

### **Apparatus**

Materializing happens within an apparatus. An apparatus<sup>18</sup> is a “specific, dynamic material reconfiguration of the world through which bodies are intra-actively materialized” (Barad, 2007, p. 169)<sup>19</sup> or “the practices of mattering through which intelligibility and materiality are constituted (along with an

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<sup>17</sup> This term is from Hendrik Vollmer’s presentation to the Schulich School of Business Accounting Area.

<sup>18</sup> Apparatus is similar to arena, defined as “institutions, bodies of knowledge, economic and administrative processes, systems of norms and measurement and classification techniques” (Burchell, Clubb & Hopwood, 1985) and “a particular “field of operations” does not provide an a priori distinction between accounting, on the one hand, and the social context on the other” (Robson, 1991, p. 549). The arena, with notable similarities to the apparatus, differs in that the object of investigation may involve, at once, more than one arena. “There is overlap” (Robson 1991, p. 549).

<sup>19</sup> Barad defines discourse the “specific material (re)configurings of the world through which the determination of boundaries, properties and meanings is differentially enacted”.

excluded realm of what doesn't matter)" (Barad, 2007, p. 170). Barad's apparatus is similar to Foucault's but given a twist inspired by Nobel Prize winning physicist Neil Bohr's own definition of apparatus. Bohr asserted that the apparatus must be specified as part of the ontological claim because the apparatus is always constitutive of what *is*.

Accounting itself has been referred to as an apparatus, in Foucault's sense (Miller & O'Leary, 1987; Edgley, 2014). It is also one in Barad's sense. It renders determinant phenomena that are otherwise ontologically indeterminate. Different apparatuses materialize differently. ESGI disclosures and charity disclosures, for example, are part of different practices of mattering, and will constitute intelligibility and materiality differently — a difference that will be exploited in the following chapters to better understand accounting's materiality.

The specific material configurations of the accounting apparatus affect the degree to which materiality judgments can be shaped and changed. Where the categories, arrangements of evidence and norms around form are nascent or in flux, there is opportunity to shape and influence the meanings and understandings the public interest brings to the problem of assessing an entity. Where already well established, the apparatus constrains the performative power of materiality to intra-actively and iteratively change, but materiality is always in flux.

## Conclusion

Materiality in accounting is materiality as understood by the new materialists. The creation of an inscription at the moment of entering a transaction or adjustment into the accounting system is a moment of materialization. The inscription is a new arrangement of neutrons and electrons, with meaning about what matters and what differences matter. This arrangement is not reducible to the little bits of nature but is an assemblage that "holds together" as particles and meaning — an entanglement of matter and discourse. It uses numbers, which are recognizable as 'things' and afford the inscriptions some legitimacy (Carruthers & Espeland, 1991). The inscription was propelled into its materialized becoming by an almost



dizzying number of prior materializations. The materializations taken together create a “cascade of inscriptions” (Chua, 1995) characterized by a particular set of inclusions and exclusions where meaning is cut out (Qu & Cooper, 2011). Materializations as inscriptions affect the possibility of future materializations of inscriptions, of three-dimensional things and of neural pathways of users that performatively iterate the broader discourse about what matters. The materializations materialize an argument as to what matters, what differences matter, what *should* matter. It is the moment of materializing an inscription, because it is material-in-the-accounting-sense, that the matter and meaning of accounting and value are mutually articulated.

It is widely accepted that financial accounting practices, in an entity and by standard setters (Young, 2003, 2006), is a system of meaning-making, producing and reproducing meanings (Tinker, Merino & Neimark, 1982, Miller & O’Leary, 1987, Roberts & Scapens, 1985, Llewellyn & Milne, 2007, Bebbington, Kirk & Larrinaga, 2012); contributing to social change (Burchell, Clubb, Hopwood, Hughes & Nahapiet, 1980; Robson, 1991; Neu & Graham, 2005). Accounting constructs “what counts,” “make it the image of events that counts” (Roberts 1991, p. 363). Roberts and many others have noted that accounting as a system comes to construct what matters.

I have asserted that examining meanings of materiality lends visibility to the idea that people acquire and embody the discourse that is materialized into the accounts through the inscriptions that happen at journal entry, through amalgamations to larger categories of accounts and in the particulars of disclosures in the financial accounting statements. The materialization in the body offers a direct link between the ideas that are deemed material in accounting and the habitus of preparers and users.

Disclosures are part of a materiality chain. Materiality concerns categories, evidence and form of things that are inscribed in accounting systems and disclosures. Materiality judgments earlier in the chain participate in the performative materializations, causing — but not determining — inscriptions and three-dimensional objects. The chain extends from standard setters to firm-level systems of accounts, through

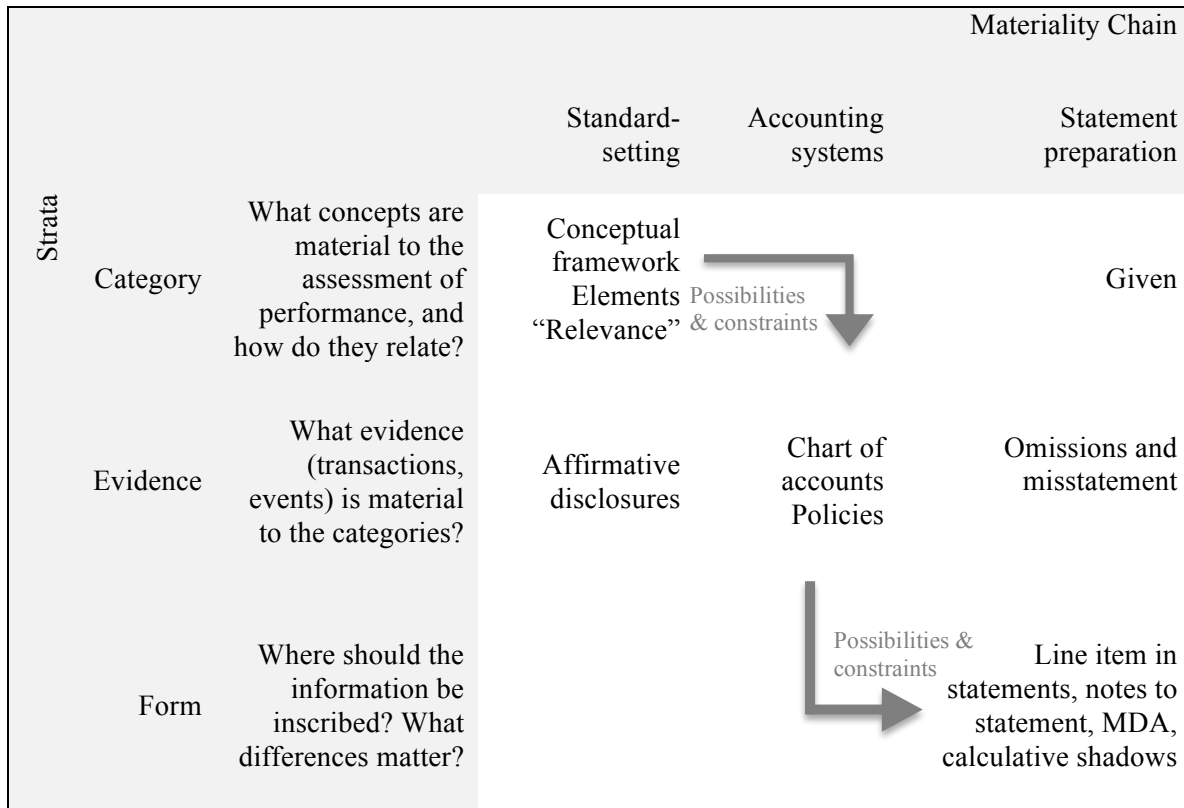
data entry, statement preparation and auditing, right to the neural pathways in the minds of professional account users. The patterns of inclusions, exclusions and form of inscription in financial accounting disclosures arise from the materiality chain.

Materiality in accounting is a practice at the crux of what matters and what will come to matter. I have argued that accounting materiality is a practice that enacts entanglements of matter and meaning in, and intra-active and iterative reconfiguring of, the world in its becoming. This is, ironically or prophetically, precisely the meaning of materiality in the new materialisms. Materiality judgments are judgments of how matter and meaning will unfold, and what differences of matter and will come to matter. It is in doing materiality that accountants “serve to sort, sift and classify” (Neu *et al.*, 2006, p. 639) such that particular materialized inscription enact difference and performatively reconfigure the world in its becoming.

Understanding the *doing* of materiality in terms of the new materialism draws together extant theories on the power of accounting to create the interests it serves. Both ideality and materiality are recognized, but these are not severed as representations; they are entangled. Instead of representation, the relation between three-dimensional objects and inscriptions is performative. Three-dimensional things performatively produce entanglements of matter and meaning in inscriptions, which performatively produce arrangements of entangled matter and meaning in three-dimensional objects. Plants, property and equipment, etc., are not seen as any less “sociomaterial” than the inscriptions. All matter is entangled with meaning; all meaning is entangled with matter. The performativity extends outside of the arena of business to all intra-actions with the inscriptions, such that the consumption of the inscription is influenced by its production.

## Figures and tables

Figure 2.1 The Materiality Chain



Materiality is a multi-strata concept practiced in chains of materiality judgments that created the possibilities and constraints for later practices and judgments.<sup>20</sup>

<sup>20</sup> Frishkoff (1970, p. 118-119) classified moments of materiality judgments into recording, classification and disclosure. My typology reorganizes these same moments. Some classification falls under category. Recording and the remaining classification fall under evidence, and disclosure falls under form. I prefer my framework because classification is a concept that at once precedes and follows recording.

### 3. **Mattering, de-mattering**

A collection of charity annual reports from Boston, USA, from 1854 to 2014 offer a case study on how information comes to matter and then not matter. Between the mid-nineteenth and early twentieth century, social performance information in the reports went from a few key numbers to several pages of detailed “annual statistics” paired with qualitative outcome assessments. Then, in the 1940s, social performance information began to decline. By the 1950s and 60s, it had receded to the levels of a hundred years prior. The quantity of social performance information began to increase again at the turn of the millennium as part of the current widely documented accountability era (Fung, Graham & Weil, 2007; Levi-Fleur, 2005; O’Dwyer & Unerman, 2008; Carman, 2010; Arvidson & Lyon, 2014).

How did social performance information come to matter, then not matter, then re-matter? In accounting, materiality governs (among other things) what information must be stated in an annual report and what may be subsumed into averages or totals or excluded altogether based on what matters to users (IASB, 2010; Edgley, 2014). Social performance information was deemed important to report users, then not, then important. In everyday speak, materiality refers to tangible things like annual reports and inscriptions in the report (Robson, 1992, p. 685; Qu & Cooper, 2011; Ezzamel *et al*, 2004; Muniesa *et al*, 2007). In a very physical sense, social performance inscriptions mattered, then didn’t, then did. The new materialism (Barad, 2007; Orlikowski, 2010; Iedema, 2007; Pollock & D’Adderio, 2012; Scott & Orlikowski, 2012; Coole & Frost, 2010) bridges these meanings (chapter 2). It sees accounting inscriptions as entanglements of matter and meaning engaged in ongoing performative enactments of what matters (in both senses of the word) such that accounting materiality and physical materiality produce each other. The task of this study is to illuminate that performativity. It traces the inscriptions in charity annual reports over 150 years to reveal (some of) the entanglements that enacted them into existence (or out) and the performative enactment of inscriptions that followed.

The study is motivated to develop a method for understanding inclusions and exclusions in annual reports that resolves some of the critiques of accountability studies of annual reports, while retaining and building on the contributions of those studies. Accountability is the explicit intent of annual reports and, reasonably, has been the dominant lens through which academic research has examined content (*e.g.*, Langton & West, 2106; Yasmin, Hannifa & Hudaib, 2014; Dhanani & Connolly, 2012; Connolly & Hyndman, 2004; Coy & Dixon, 2004; Hyndman 1990), but as a theoretical frame for understanding report content, accountability has some shortcomings.

First, annual reports are not only accountability documents, and accountability is not only fulfilled through annual reports. The content in annual reports must simultaneously accomplish multiple objectives; for example, legitimation, impression-management and advocacy (Jones, 2011; Everett & Friesen, 2010; Justesen & Mouritsen, 2009; Benjamin, 2008; Neu, Warsame & Pedwell, 1998). Conversely, accountability is not delivered only through accounts (Roberts, 1991), but also in dialogue (Saxton & Guo, 2011), action (Coule, 2015) and any time an “actor recognizes that it has made a promise to do something and accepted a moral and legal responsibility to do its best to fulfill that promise” (Brown & Moore, 2001, p. 570). By focusing on inscriptions in reports — “marks on bodies” (Barad, 2007, p. 232) — materiality offers a theoretical frame for understanding report content that neither presupposes a single driver of the inscriptions, nor encapsulates all sites of accountability.

Second, the dyadic assumptions of accountability are ill-equipped to explain why annual reports tend to be similar to their contemporaries. Too often, accountability studies of annual reports leave the broader context underexplored or taken to be exogenous to the account (Oakes & Young, 2008, p. 770) rather than (in part) a production of the accounts themselves (Ferguson, 2007; Llewelyn & Milne, 2007; Harrison & McKinnon, 1986). Langton & West (2106), for example, traced changes in Australian Red Cross annual reports over 100 years, offering explanations that were particular to the charity and its stakeholders. Yet, the eight charities I studied, operating on the other side of the world, in dissimilar

fields, changed their annual reports in ways and, at times, similarly to that of the Australian Red Cross. The framework I offer attends to phenomena in which the account is rendered. It understands reports to be part of that phenomenon and can contend with intra-actions between accounts and the accountability context, providing theoretical tools for integrating the very real “local” dyadic relationship (Langton & West, 2106) within the “global” context (Oakes & Young, 2008, p. 772). By focusing on the question “what matters” (in both senses of the word), materiality is equipped to explain how annual reports — produced by agentic actors and objects — end up so similar (Leonardi & Barley, 2008, p. 170).

Thirdly, in many ways, the approach I offer is simply catching up to how scholars have already pushed the study of annual reports, focusing on meanings found in metaphor, affect, imagery and format (Langton & West, 2106; Gibbon, 2012; Davison, 2011; Jones, 2011; Oakes & Young, 2008). The new materialism’s explicit engagement with matter and meaning is better equipped than accountability to make sense of the additional dimensions of content that have already been highlighted as important. Jones (2011), and Keevers, Treleaven & Sykes (2012), in fact, explicitly define social performance accounts as socio-material artifacts or “bundle[s] of material-discursive practices” (Keevers, Treleaven & Sykes, 2012, p. 97).

Finally, there are limits to the *possibility* and *desirability* of accountability (Roberts, 1991, 2009; Messner, 2009; Everett & Friesen, 2010; Oakes & Young, 2008, p. 770). Accountability studies of annual reports have tended to assume more is better: greater detail is greater accountability and omissions are accountability deficiencies (for example, Connolly & Hyndman, 2004; Dhanani & Connolly, 2012). Materiality is one way to attend to the notion of sufficiency-given-limits (the limits of which have changed over time (Edgley, 2014)) allowing a conceptual framework for understanding when a report is accountable enough. In order to do so, materiality itself needs to be rehabilitated in order to extend to non-financial accounts.

I undertake a diffractive (Barad, 2007; Haraway, 1997) reading of 204 annual reports from eight charities (Table 3.1) working in the fields of poverty alleviation and youth services in the greater Boston area along with articles from the *New York Times* over the relevant time period, as well as academic articles written in and about the periods in question (Parker, 1999). The diffractive approach understands inscriptions — “marks on bodies” (Barad, 2007, p. 232) — as the effects of difference (Haraway, 1997) and as traces of an interaction that enacted difference. Or as Barad (2007) puts it, “matter is the iterative production of different differences” and thus “matter is differentiating” (p. 137). In my diffractive reading, I pay close attention to the format (for example, templates, tables) and arrangements (location of inscription in the annual report and in the table). I trace these alongside the apparatus in which they were realized (similar to the method used by Tinker & Neimark, 1988), focusing particularly on those material-discursive practices that are most proximate to the production of an annual report: expertise and professionalization, printing technology, the accountability and philanthropic context, and the intra-actions of all of the above with each other and past and future annual reports.

The study makes several contributions to the literature. To the growing literature on materiality of corporate ESGI disclosures (Edgley, 2014; Edgley *et al.*, 2015; Deegan & Rankin, 1997), I offer, I hope, a method for better understanding how items come to be material. This is the first study I am aware of that examines and theorizes a decline in the depth and breadth of reporting. Understanding why social performance reporting rose, and why it then declined, is valuable to our understanding of the present-day push for greater impact measures. Specific to charity reports, this study contextualizes current charity performance measurement (Wholey & Hatry, 1992; Campbell, 2003) and shows that, judged by contemporary criteria, contemporary charity accounts are inferior to those of the early twentieth century. To practitioners currently developing standards for social performance reporting, I hope this study

demonstrates the need for slow, prudent *phronesis*<sup>21</sup> (Flyvbjerg, 2001; Francis, 1994) before instituting a particular disclosure (format and content) template as a required uniform standard. It matters.

## Mattering

Accounting artifacts, including social performance inscriptions in charity annual reports, are entanglements of matter and meaning.<sup>22</sup> They have been described as socio-material (Orlikowski, 2007, p. 1438) or as “material discursive assemblages” (Muniesa, Millo & Callon, 2007). When an inscription is rendered in an annual report, it is given materiality, in both senses of the word. The inscription is a new physiochemical arrangement of neutrons and electrons created by and conveying meaning about what matters and what differences matter. The inscription is not reducible to the little bits of nature, but is an assemblage that “holds together” as an entanglement of matter and meaning. Each inscription is performatively produced through material-discursive practices or “apparatus” (Keevers, Treleaven & Sykes, 2012, p. 114). (An apparatus is “the practices of mattering through which intelligibility and materiality are constituted (along with an excluded realm of what doesn’t matter)” (Barad, 2007, p. 170)). Materializations, in turn, affect the possibility of future materializations — of inscriptions, three-dimensional things and of the apparatus itself — thereby performatively iterating (Barad, 2007) the broader discourse about what matters.

Inscriptions in an annual report are the production of the material-discursive practices. They are the results of “doings.” Said better, “objects do not acquire a particular meaning in, or because of, a *given* context... Rather, objects are brought into being, they are *realized* in the course of a certain practical activity” (Woolgar & Lezaun, 2013, p. 324; Harrison & McKinnon, 1986). The material-discursive

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<sup>21</sup> Flyvbjerg, (2001, p. 57) resurrected Aristotle’s term *phronesis* meaning “deliberation about values with reference to praxis... based on practical value-rationality” to distinguish this sort of knowledge from *episteme* (scientific knowledge) and *techné* (craft or art). *Phronesis* is a practical sort of ethics, oriented toward action. Francis (1994) called for *phronesis* in auditing.

<sup>22</sup> I do not wish to imply that accounting inscriptions are in a class of matter that is entangled, as opposed to some class of matter that is not: all matter is entangled with discourse (Barad, 2007).



practices that produce accounting inscriptions are not singular: there are many such practical activities intra-acting (Harrison & McKinnon, 1986, p. 240; they used the term “systems”). Inscriptions rendered are the traces of material practices. The format of inscriptions, their inclusions and exclusions, are traces of interactions of different material practices. With respect to charity annual reports, there are many such interactions. In this chapters I consider the accountability environment, devices and templates, printing technology and embodied professional expertise.

In terms of accountability, Weber (1999, p. 453) outlines how the “certain practical activity” (Woolgar & Lezaun, 2013) of accountability has changed over time. “Jacksonian Accountability” of the mid- to late-nineteenth century, for example, embraced organic and dynamic formation of associations, each providing accounts to affiliated members with content and format catered to practical rather than scientific-technical expertise. Progressive-era accountability preferred rational, mechanical, expert coordination of intermediaries (no longer organic dynamic formation) and accounts intended to inform the decision-making science of a new class of bureaucratic experts. “Public Interest Egalitarianism” accountability of the mid-century was defined by professional norms with accounts designed to inform and enforce procedures. At the end of the twentieth century, neo-conservative efficiency focused on decentralized control and created accounts to inform markets and accountability through invisible hand dynamics (Weber, 1999).

Weber highlights how accountability interacts with other material practices, for example, experts and different types of expertise. Accountability changed with bureaucratic, professional and market-based expertise. Expertise, as routine practice, is part of the apparatus that produces “what matters” and “what materializes” (Edgley, 2014; Malsch, 2013; Power, 1997; Miller & O’Leary, 1987). Social performance reporting in charity annual reports requires interactions of multiple communities of expertise (Harrison & McKinnon 1986, p. 235), such as social work, accounting and medicine. The annual reports are themselves sites where “different strands of knowledge are continually converted into practices where they are then tested, challenged, and subsequently revised” (Millo & MacKenzie, 2009, p. 639-640).

Professions have codified practices. Everett & Friesen (2010, p. 470) noted that humanitarian emergency relief charities entangled with medicine (e.g., Red Cross, *Médecins sans Frontières*) produced an accountability principle that performatively cites (Butler, 1993) the “do no harm” ethos of the Hippocratic oath. The accounting inscriptions that matter (and not) are in part the traces of intra-action between material-discursive practices of accountability and expertise. Insights into how social performance information came to matter (or not) can be found in the inscriptions, which are the “interference patterns” (Haraway, 1997) and “the effects of difference” (Barad, 2007) of these knowledge systems.

Expertise isn’t “out there.” It is immediate and local (Harrison & McKinnon 1986), embodied in human neurons, templates, charts and practices (Keevers, Treleaven & Sykes, 2012). Expertise cannot be reduced to the material, nor can it exist without material form. When expertise is embodied in humans, it enacts certain inscriptions in certain formats and arrangements. Writing itself is an embodied and performative act (Haas & Whitte, 2001). In the mid-nineteenth century, many charity managers were clergy whose accounts in annual reports performatively enacted their embodied practices of accountability. Later, charity managers were part of the nascent social work profession, and sites of professional ascension for women (O’Connor, 1997) (even as the archetypal qualities of “a professional” remained male-gendered (Davies, 1996; Kirkham & Loft, 1993; Haynes, 2016). Their accounts performed the being of a professional, a professional social worker, and a professional woman (McKinlay, 2010). Performativity gives agency to individuals; not only can they “choose to embrace or resist” particular demands on the account (Brown & Moore, 2001, p. 574), but they have agency in how they respond by creatively citing a variety of ways of being that preceded them (Butler, 1993).

The social performance accounts in annual reports are material objects that enact future materializations. The inscriptions interact with expertise and accountability. Weber’s depiction of different accountability eras highlights how each era required upheavals in the data maintained and reported, and a reconfiguration of what constituted an account. Records “participate in (re)configuring ...what gets included and excluded from mattering” (Keevers, Treleaven & Sykes, 2012, p. 116).

Assembled as a text with particular inclusions, exclusions and arrangements, social performance reports are “isomorphic of the conceptual schema used to make sense of it...The organization of the text is understood as enacting a moral universe comprising all its constituent elements” (Woolgar & Lezaun, 2013, pp. 330-331). Not only is the format and arrangement of the inscription the materialized embodiment of a particular set of expertise and practice (such as accounting statements), they are also readily cited by other report writers. In citing a particular form and arrangement of text, that format performatively asserts a conceptual schema and moral universe (Woolgar & Lezaun, 2013). Annual reports often become templates for their future iterations, with the same sections appearing each year, in the same order, comprising the same number of pages and, within each section, roughly the same content in about the same place.

These patterned disclosures, in the form of templates, have a powerful performative effect on what is deemed to matter and what comes to be mattered in the future. Consider the Chandar, Collier & Miranti (2012) study on the effect of the graph on operations at AT&T in 1921. The paragraph below describes a process by which a standardization of form performatively reduced the kinds of information that managers considered relevant to their decision making. Chandra, Collier & Miranti focus on time and money savings but the underlining argument is that the possibility of the material form of the graphic template produced the set of information considered.

Graphic standardization provided other operational advantages. First, standard methods saved time and money, as they reduced uncertainty and confusion by limiting the range of decisions. Second, they created unambiguous reports about operational performance that were readily understood by all managers, thereby reducing costly internal information asymmetries. Third, the graphs reduced the number of acceptable alternatives, lowering data summary and analysis costs. Fourth, efficient forms design improved cognition through the simplification of business dynamics. (p. 36)

The arrangements of accounting items within an artifact convey meanings, including differences and differences that matter. The arrangement is itself a visual scape. Davison (2013) argues the visual has particular relevance to accounting because of its ubiquity in business practice, its known influence on cognition and memory, and the role of the visual in framing the interpretation and reception of

information. To date, most visual work in accounting has been focused on pictures, images and graphs (Brown, 2010; Cho, Phillips, Hageman, & Patten, 2009; Curtis, 2004; Davison, 2007, 2010; Manochin *et al.*, 2011; Preston & Young, 2000). I focus on the visual scape of the page.

Technology plays a role in the inscriptions that materialize. Information technology affects the cost of gathering social performance information, which affects what data is gathered (Johansen & Plemborg, 2013; Carman, 2010) and thus what can be reported. From 1865 to the turn of the millennium, printing technology was required to materialize annual reports, and the effects of intra-actions with the technology are in the traces of the material produced. Printing technology, for example, fixed the lengths of annual reports into four-page increments (which is front and back of a single sheet folded in half (Gaskell, 1972). The technology performatively enacts materiality, in the accounting sense: if the material content only required 13 pages, either three more pages of the next most important items were included, or content was cut by a page length through deletions. Blank pages are rare in the reports I looked at, and reports infrequently changed typeface from year to year.

As stated, the apparatus of mattering is larger than the accountability context, expertise, templates and technology, and not all can be considered in this study. What I hope to do with these elements is show how they influence what matters and does not matter. In the presentation of my findings I strive to weave together the very specific context of a single charity (NEHLW) and the broader patterns of charities in its vicinity, to demonstrate (some of) the specific intra-actions of matter and meaning that performatively enacted each particular account in its particular format, such that exactly that, and only that mattered; and, crucially, how the particular inscriptions materialized in one report performatively shaped future materializations — at once stabilizing concepts and giving them an intactness for further mobile.

## Method

The empirical backbone of the analysis are the annual reports from eight charities (Table 3.1). All are located in Boston in the field of in human services; all have a residential component except The Roxbury Society, which ran a wood yard (a social enterprise by today's definitions). The eight charities were selected to provide both a longitudinal case (66 NEHLW reports from the years 1865–2014) as well as a temporally contextualized sample. The charities were chosen for their similar location, areas of work and completeness.

The reports are drawn from two archives. I drew primarily from those at Simmons College School of Social Work, which holds original reports. Attention to materiality requires attention to the bibliographic<sup>23</sup> details of the book (Gaskell, 1974) such as details of paper, binding and typography. In addition to taking notes while at the archive, the reports at the Simmons archive were photographed so that I could easily return to them as iterations of analysis and theorization necessitated new coding. However, because the reports would be damaged if fully opened, the photographs are very poor quality, resulting in frequent, partial gaps in the data (e.g., an illegible paragraph). Boston University has NEHLW reports on microfilm, which I exported to PDF for coding and ongoing reference. The quality of reproduction is much higher and thus there are fewer gaps in data. Because the NEHLW record is so much longer and more complete than the other charities, I treat NEHLW as a case study nested within a study of eight Boston area charities.

To inform the interpretation of historical annual reports, the reports were interpreted in light of additional sources that conveyed the prevailing professional, philanthropic, accountability and social contexts (Tinker & Neimark, 1988; Guthrie & Parker, 1989). I reviewed articles from the *New York Times* (those cited are listed in Appendix A) and scholarly articles written in and about the era. Wide-circulation

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<sup>23</sup> Bibliography, as in the systematic description of books.

newspapers are a reasonable record of public sentiment because it is through media that the legitimacy of institutions and organizations is contested and defended (Pollock & Rindova, 2003), and public opinion echoed and shaped (Deephouse, 1996, p. 1027). The *New York Times* is the newspaper closest to Boston with articles spanning the duration of my study that could be searched and retrieved using an online database (ProQuest Historical Newspapers: 1851-2009<sup>24</sup>). Academic publications from and about the period were identified using key topics (charity, social work) and key terms (wayward girls, vagrant children). The study uses the reports and the contextual documents to produce a macroscopic understanding of “what matters” – namely, it traces mattering over long periods of time attending to “contextual influences and underlying schools of thought, leads and lags, and interrelationship” (Parker, 1999, pp. 24–25; also Tinker & Neimark, 1988; Guthrie & Parker, 1989).

Coding was undertaken in two phases (Langton & West, 2016): first reports were reviewed descriptively for content categories (social performance information, financial information, mission statements, officers, etc.) and the formats in which they are given; in the second, coding focused on “significant deletions, additions or other amendments” (Langton & West, 2016, p. 193) to content and form. These phases were undertaken iteratively and in dialogue with the contextual literature (NYT articles and scholarly work written in and about the periods).

The diffractive method focuses on “marks-on-bodies” as traces of intra-actions. As a study of annual reports, I understand the inscriptions, such as the format of a table, to be a trace of an intra-action in which material-discursive practices — perhaps two knowledge systems, or a knowledge system and a technology — “interfered” with each other, creating difference. The metaphor of diffraction refers to the new patterns created when a wave encounters another wave or an object. The interference, or marks of difference, are most visible in difference; for example, when the format of a table changes. The study

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<sup>24</sup> A review of Boston-area papers was attempted but proved too cumbersome to be feasible.

seeks to explain the materializations (changes in presence/absence and format) “regardless of the particular messages that are communicated through them” (Noy, 2008, p. 177, citing Meyrowitz (1997 p. 61). It is here that the study departs from prior work on annual reports. Extant work has focused on what annual reports do and do not say. Both longitudinal studies of annual reports (e.g. Langton & West, 2016; Tinker & Neimark, 1988; Guthrie & Parker, 1989) and cross-sectional studies (e.g. Connolly & Hyndman, 2004; Dhanani & Connolly, 2012) have undertaken thematic analysis of content. In the case of the latter, annual reports were measured according to the disclosure (or quantity of disclosure) on particular topics, for example charitable mission or outcomes of charitable work. My analysis, on the other hand, focuses on the material form. Meaning is not ignored; rather, it is understood to be entangled in format, and studied in parallel with the study of the form and formation (Noy, 2008).

The analysis focuses on New England Home for Little Wanderers (NEHLW). Since its inception, NEHLW has helped vulnerable children through four types of programs: temporary foster placement, permanent adoption, institutional homes and day services. Figures 3.1, 3.2 and 3.3 are images taken from the NEHLW annual reports in 1865, the year of incorporation (although it existed prior), 1936, an example of a social performance reporting format that persisted for several years, and 2014, the most recent annual report available as of June 2016. Taken together, these images show the changing format, quantity and content of social performance measurement in the NEHLW annual reports.

## Analysis

My analysis is presented in four sections. The first section charts the increase in social performance inscriptions, focused on *format*. The second section charts the decline, focused on *quantity*. Third, I briefly address the return of social performance reporting, noting both quantity and format. In the last section, I offer some evidence that the annual report writers were thinking about accountability and materiality as they prepared their reports, and compare the quantity of disclosures in NEHLW’s annual

reporting with two relatively recent surveys of charity annual report accountability (Dhanani & Connolly, 2012; Connolly & Hyndman, 2004).

### **Format: shapes and expertise**

In this section I examine the format of social performance reporting in charity annual reports from the mid-nineteenth through mid-twentieth century. The quantity and format social performance disclosures changed over time. Figure 3.4 shows the quantity of *numeric* social performance disclosures in each annual report and the format in which the number was given for the six charities for which I have more than 10 reports spanning three decades or more. The quantity of numbers in a report is a proxy for the quantity of reporting<sup>25</sup>. The formats (text and tables of different types) are those discussed below. This section looks at the interactions that enacted the formats the disclosures took.

The word “charity” pre-dates the organizational form to which it now refers. For hundreds of years “charity” referred to an attitude or quality of being as well as the aid, such as soup, bread and coal, distributed by churches<sup>26</sup> and individuals to the needy (Friedman, 2003, pp. 6–7). In the 19th century, organizations similar to today’s charities started to emerge (Friedman, 2003, p. 8). They were founded with the express purpose of serving the needs of the poor, they were run by paid managers rather than volunteers, and they inserted themselves as an intermediary between the giver (now a donor) and the

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<sup>25</sup> The quantity of numbers includes those stated in text (e.g. “seventeen children”, “one girl”) and tables. The strength of this measure is that it can be applied consistently across all formats. The measure has some weaknesses. One is that charities with many sites appear to have greater disclosures than charities with one location. For example, a charity with one location reporting on 20 different social performance measures will have a count of 20. A charity with 5 locations, such as NEHLW had, reporting on the same 20 measures, will have a count of 120. (20 x (5 locations + a column for total)). This looks like a big difference in disclosure but both are measuring the same 20 things disaggregated by location. Counting the quantity of numeric disclosures is preferable to counting lines or rows in a table because there are times when columns do represent additional information, such as data disaggregated by gender or compared across years. Another weakness of counting numeric disclosures is that it does not measure the space allocated to social performance disclosures. The same quantity of numbers can be condensed or spread out over several pages. The space allocated to social performance disclosure is important to consider. However, counting pages was difficult for text formats because the social performance disclosures are intermingled with other information. Counting the quantity of numbers disclosed, although imperfect, is the measure that can be most consistently applied across formats.

<sup>26</sup> Alms were distributed by other places of worship, but in Boston at the time, it was mostly churches.



poor, arguing that their scientific approach to delivery of aid was more effective than haphazard alms giving. The first accounts of charity social performance in annual reports and their rapid growth through to the mid-twentieth century occur in the context of the new fundraising practices, new accountability relationships with donors and new professional charity managers cultivating expertise in poverty prevention and permanent alleviation (rather than assuaging immediate needs).

That reporting would emerge in the context of increasing accountability is unsurprising. The specific formats of the accounts, however, reveal the enactments of matter and meaning performative in their formation. In this section I show that the format is the performative production of other charity reports, the embodied expertise of the writer, and the material capacities of printing technology. The punctuated stability of formats reveals a performativity in their own re-mattering, as well as the agency of individuals, objects and technology to trigger change. The consistency of formats across the charities in the sample suggests they share common material and ideational entanglements.

#### *Numbers within paragraphs*

Similar to other charities at the time, NEHLW published regular (monthly, quarterly) bulletins for “subscribers” of which one issue each year was designated the annual report (similar practices were described in Oakes & Young, 2008). The first account of NEHLW’s work (Figure 3.1) is found in a “semi-annual report” issued six months after incorporation. The content and arrangement of the account of social performance is a trace of how this particular account came to matter. The format cites (Butler, 1993) that of other charities in the era as well as those published in the *New York Times*. Compare the account of NEHLW with that of two from the NYTs and ones from two other charities at the time:

NEHLW, 1865: “The Home has received since about the 20<sup>th</sup> of last April, including day scholars and children given up to be placed in homes, 357. Of the number above, 97 have been fed and clothed by the mission, and those who are old enough have enjoyed the benefits of the school” (NEHLW, 1865, p. 114).

NYT, 1856: “The New-York Eye Infirmary has treated 3,052 patients during the last year - 2,613 for disease of the eye.” (An Old and Worthy Charity, NYT, 1856)

NYT: 1860: “The New-York Dispensary alone, supported and officered and managed by private philanthropy, has relieved, since its organization in 1790, more than one

million of patients...During the past year 44,627 persons of both sexes received medical and surgical assistance from this Institution” (The New-York Dispensary, NYT, 1860)

THE CHANNING HOME, 1871: “At present time there are fifteen patients in the home, which is the limit of the number that can be accommodated. During the year, twenty have been admitted and ten have died.”

ROXBURY SOCIETY, 1879: “During the year just closed, 240 families have for the first time applied for aid, 139 have been assisted, representing 449 persons. In all, 472 families representing 2025 persons have been assisted, including a large number of widows, against 419 families representing 2018 persons, for the previous year. Increase in numbers of families as compared with previous year, 58.”

Traces of interactions of the account with expertise and technology are materialized in its paragraph form. Before the invention of machine-produced wood pulp paper and higher-speed printing press, much charity reporting would have taken place through the newspaper, as the extracts show, written in the style of the newspaper. Even once annual reports became more affordable, the paragraph form was likely influenced by technology limitations: “casting up a table,” as it was called (Seavern, 1913), was labor intensive and charged “at a price and a half ... compared to “plain work” (Pasko, 1894, pp. 533–536). Expertise influenced form too. The writers of these reports in the 1800s were often religious men practiced in writing sermons, as the superintendent of NEHLW was. Together these point to accounts in paragraph form rather than tabular or graphic arrangements.

The format is entangled with meaning about how charity works. It was developed at a time when charitable work was synonymous with distributing alms to alleviate immediate wants. The template (an entanglement of format and content that is cited and iterated) communicates only the number of people served and what they received. The template does not communicate how, or why, or if the alms achieved their aim. In the case of alms-giving charities, the link between action and effect is direct and immediate, and so the effect is assumed from action. For example, Roxbury distributed food, which very likely alleviated hunger. They reported distribution of food to people and hunger alleviation is assumed. NEHLW, however, was among the new kind of charities focused on preventing poverty rather than assuaging its affects. As one NYT article put it, “thoughtful [philanthropists] lean with most favor towards those Institutions which aim at prevention [because it is] easier to break the egg than to kill the

vulture that grows out of it” (Theory of Charity, NYT, 1852). In citing the format from earlier accounts, the meanings and logic of almsgiving charities became entangled in NEHLW reports.

The first semi-annual report conceived of NEHLW’s work like an assembly line: a process through which children were funnelled as if they could be transformed from “vagrancy” into “useful citizens” with the same confidence that bread alleviates hunger. NEHLW had adopted methods detailed in the confidently titled publication *The best method of disposing of our pauper and vagrant children* (Brace, 1859). The “remedy” to poverty was “at the earliest age to remove the children from their poisonous atmosphere... by placing them in wholesome environment” so that they may “grow up to be independent, self-respecting, and respected citizens” (Ely<sup>27</sup> 1891). NEHLW took in pauper children and escorted them out west (*i.e.*, Michigan) to be placed with families to work on homesteads. The template performatively asserted that what mattered into the annual account was the number of children taken in and what they were given. The 1867 annual report reads much like those of the other charities, including the accounts published in the NYT:

“The whole number of children received into the Home since it opened is 663. Of those placed into homes seventeen have found homes in Maine, fourteen in New Hampshire, four in Vermont, four in Rhode Island, four in Connecticut, two in New York, two in New Jersey...ten in Ohio, ninety-six in Michigan, five in Illinois...We are not acquainted with any Institution that can present such a record in twenty months” (NEHLW, 1867, Report of the Superintendent).

“Outcomes,”<sup>28</sup> such as how the children fared and the effectiveness of the approach as a remedy for poverty were mattered into inscription but outside the space designated as “report.” The extract below suggests the outcomes mattered to someone (“we promised to give some account of the children...”) but the accounts are qualitative (“Some had not done as well as we expected, and some a great deal better”)

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<sup>27</sup>Richard Ely was the Head of the Department of Political Economy at John Hopkins University and a leader of the progressive movement.

<sup>28</sup> I use “outcomes” as Connolly & Hyndman (2004) define results. “Inputs are the resources used to provide a product or service (e.g. staff, money, equipment). Outputs are the immediate products or services generated by the organisation; for example, number of children fed or number of individuals trained. Results represent the impact of the product or service on society; for example, a healthier population or safer roads” (p. 138).

and rhetorical (“No one can place an estimate on the amount of good accomplished in rescuing these little ones from poverty and vice”). Without numbers and categories, these inscriptions did not fit into the cited template and did not look like a “proper” or “real” report. The template differentiated outputs and outcomes and materialized them in spaces that enacted difference in importance.

“We promised to give some account of the children...[m]ost of whom have been in their homes from two to four years...The first boy we met, Frank F., who had been four years in his home and all the time in a first-class school, had now commenced as a clerk in a dry goods store...we found one girl who had grown taller than her mother...Some had not done as well as we expected, and some a great deal better... No one can place an estimate on the amount of good accomplished in rescuing these little ones from poverty and vice. Many of them will become useful members of society” (NEHLW, 1870).

Mattered inscriptions performatively simplify the practices of mattering such that subsequent accounts may be reduced to a fill-in-the-blanks exercise. In 2017, this seems normal/reasonable for tabular templates, but not for paragraphs. However, when paragraph form was a template, paragraphs were often replicated word for word. As an extreme example The Channing Home issued almost word-for-word identical annual reports, except for a few key numbers (number of patients admitted, and the number died, discharged and relieved) — each year for thirteen years (available in supplemental material: Appendix B).

To the extent that NEHLW provided financial accounts, it did so in paragraph form<sup>29</sup> and only when faced with a demand for financial accountability rather than as a routine practice. In 1865, a section titled “Cost of Saving Children” includes no numbers. Instead, it uses rhetoric and reasoning to argue that “the cost of saving hundreds will not exceed the cost of arresting, trying, condemning and executing ... Theft and robberies and murders are... the natural result of neglected childhood. ... It costs less to save them from crime than to support them as criminals” (NEHLW, 1865). The 1870 report engages in an argument with a specific person. “Quite often we have been informed that certain parties, well known to

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<sup>29</sup> For some context, Hull House also did not publish financial statements in this era (Oakes & Young, 2008, p. 775), but the Roxbury Society did.

us, have urged persons not to give to the Home because the board of directors were making a grand speculation out of the concern. The statement is one too foolish to answer.” Nonetheless, the report goes on to answer in another impassioned essay that opens with the following caveat regarding the disclosed numbers: “[w]e do not pretend that they are perfectly accurate, but we do know that they fall short of the reality in every case”:

Suppose we reckon the 730,000 meals at fifteen cents per meal and we have \$109,500, and the 8,000 suits of clothes at \$5 per suit, much less than the cost, and we have \$40,000, and \$8,000 for the shoes and in these items we have a total of \$157,500. But the current expense for five years was but \$131,255.15.... It is more reasonable to inquire how the work can be done so cheap” (NEHLW, 1870).

It is interesting that the paragraph form and rhetorical style financial accounts were only occasionally mattered in the annual reports because it highlights the agency of the superintendent to “embrace or resist” (Brown & Moore, 2001) the demand for account. More importantly, it illuminates the relationship between the form of the account, *how* it is given and the embodied skills in which the writer is practiced. The other reason is that these inscriptions help to reveal the intra-actions that enacted difference when NEHLW shifted to tabular presentation of social performance in 1872.

#### *Tabular presentations cite bookkeeping and medical practice*

During the nineteenth century, “scientific” ways of thinking came into vogue. They shaped the structure and intellectual underpinning of many fields of work (Lipartito & Miranti, 1998, p. 303). “Scientific charity” became a widespread (but not uncontested) movement (Bremner, 1960; Maltby & Rutterford, 2016). The new philanthropic context focused on rationalized services (Barman, 2007, p. 106). Early efforts were driven by the charity managers and social activists “as a tactic by which a new set of actors could both frame and justify their new understanding of the causes of social problems and the corresponding modes of intervention and amelioration” (Barman, 2007, p. 106).

In the NYT, arguments for and against scientific charity were infused with metaphors of machines, efficiency and industry: “our charities must be carefully weighed and measured. There will be much suffering, and only little means for relief. Those means should be applied in the wisest mode” (Nov

3, 1861). “So many of those who are trying to relieve the present distress among the unemployed and hungry seem to be devoting themselves to the science of the question, and not the mathematics of the situation” (Jan 6, 1884). “That is the danger of our age; the making of charity a cold, formal business matter” (Feb 20, 1888). “You might as well organize love as charity...when you organize charity you put it in a refrigerator” (Apr 1, 1895). “The alleviation of misery in a merely mechanical way leaves society without that which is the greatest of the three great things in human life” (Sept 16, 1925). “A general impression is gaining ground that the funds *invested* by a community in social betterment should be more carefully husbanded and more efficiently applied” (Allen, 1906 — this last quote appeared in the *American Journal of Sociology*).

Particularly at issue were charity managers who drew a salary. The quote from an NYT article below accuses paid managers of impropriety and points to lacklustre accountability in annual reports as evidence of unjustified salaries.<sup>30</sup> In support of salaried managers, the second quote states that the task of poverty alleviation cannot be undertaken without specialized knowledge and that paid managers have that expertise.

“Salaried philanthropists who fatten on the money intended by the benevolent for the relief of the poor...It is directly charged that these gentlemen have “enriched themselves” out of the charitable funds committed to their care...They have been able to do this because their success hitherto, in satisfying “managerial stupidity” with “reports filled with anecdotes selected from a First Reader” (NYT, Feb 21, 1874.)

“I believe that the organizations and men that are in daily and hourly contact with those who are need are much better qualified to judge the present wants of the unfortunate than well-paid officials, who never themselves, individually, come in contact with any suffering”(NYT, Jan 6, 1884).

It is in this context that charities began to report social results in tabular formats. In my sample, charities with medical services (The Channing Home, a hospice, and The Roxbury, a dispensary) adopted reporting formats that cited those of the medical profession. NEHLW and Bethesda Society — a refuge

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<sup>30</sup> The article is favorable to paid managers; it is responding to a critique raised elsewhere.

for penitent women<sup>31</sup> — adopted formats that cite accounting practice (Table 3.2 and 3.3). The tables begin with the number of children in care at the start of the year, add arrivals, subtract departures and finish with the number of children in care at year-end. Bethesda’s account, which is from almost 40 years after NEHLW’s, also provides details about the departure.

The influence of accounting practice on the format of the social performance account is evidenced by the timing and similarity to financial statements. The tabular presentation of social results first appeared in NEHLW annual reports in the same year that a tabular account of financial information first appeared, which followed close on the heels of the accusations by “certain parties, known well” to the charity and coincided with a large fundraising campaign for a new building. The introduction of tabular financial statements to meet the demand for more robust financial accountability introduced new possibilities for social performance accountings. The format of the social account closely iterates (Barad, 2007; Bulter, 1993) that of the financial account (Figure 3.5). It opens with the balance at the start of the year, adds income from various sources, subtracts expenses, classified by type, and concludes with a balance on hand at the end of the year (such that the final number matches the first one). This was a common format at the time (Heier, 1992).

Accounting practice and social performance practice “interfered” in other ways in other charities. Around this same time, some charities in my sample integrated financial and social reporting.<sup>32</sup> The Home for Destitute Catholic Children used the following presentation of results for the 42 years from

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<sup>31</sup> “Penitent women” refers to females as young as 12 who had committed a sexual transgression. Present-day scholars (Kunzel, 1995) have found that these transgressions include everything from consensual affairs, to prostitution, to rape and incest. There is some evidence that the social workers in the homes recognized that the transgressions were not always of the girls’ choosing, but the language in annual reports, with one exception, focuses on the charity’s ability to help the girls recognize and change their immoral ways and learn to be better citizens.

<sup>32</sup> Given the current interest in integrated accounting, it is of interest to note that in 1905, four leading NY hospitals adopted a harmonized, integrated template for reporting their social, medical and financial accounts. An article published in *The American Journal of Sociology* the following year published the template in full (Available in supplemental materials — Appendix C) in order to advise other charities to adopt them.

1891–1936 (Table 3.4). It follows an accounting style of presentation with beginning and ending balances, but adds daily averages, which it integrates with cost to give the average cost per child. The average cost per child was *the only* financial information provided by the charity. The Boston Industrial Homes (Table 3.5) integrated donations received with tallies of alms distributed into the same table.

The social performance information in these accounts is not much changed from the paragraph form, but the new format conveys additional meanings. There is math and tabulation. It is well-suited to the metaphor of the production process into which children enter and are transformed into something better (meaning still very much entangled in the formats). More so, the format lends the impression of a knowledgeably managed process. Presenting the annual statistics in this way lent the charity and its manager an air of expertise that could be differentiated from “mere” compassion and good intent. There are also technological changes enacting differences in formats of accounts. The possibility of tabular presentation increased due to changes in printing technology. Between 1800 and 1900, the production of paper increased about 100-fold and prices fell to a tenth of 1800 levels (Gaskell, 1972, p. 228), although three column tables remained expensive (and rare in the reports I viewed until the 1910s).

Given the intensifying accountability context, it is not surprising that the annual reports changed. It is *how* they changed that reveals the performative enactment of what matters. The format used to meet accountability demand did not convey new social performance information, but did convey new meanings by performatively citing formats from other knowledge systems. The exact timing and nature of an organization’s change also had antecedents embodied in the people and objects specific to the material-discursive environment of the report’s formation (Noy, 2008) as evidenced by the specific pressure from known people that NEHLW faced.

*Tabular presentation arranged to make visible the cost-drivers and causes*

The early twentieth century witnessed an “explosion” in professional organization with earlier-established bodies forming into “impressively large” practices and the emergence of new professions like



social work (Lipartito & Miranti, 1998, p. 305). The increased use of statistics was entangled in that emergence (Chandar & Miranti, 2009).

Articles in the NYT tout that “the demand for trained social workers is increasing so rapidly that is has become necessary to limit enrolment in the society’s school for social work” (March 11, 1935). “The comparatively new profession of social work, which has come to the fore in the last few years, has been of such nature that it is rapidly becoming “indispensable” to modern life, Walter S. Gifford, the president of the Charitable Organization Society of the City of New York declared in the fifty-ninth annual report of the society” (April 25, 1938). And my favourite: “the worthwhileness of social work has been emphasized by definite standardization (that charming word), by preparedness for professionalism in this field, and by a new nomenclature. ‘Charity,’ now rarely used, has been replaced by the phrase, ‘social service,’ Great annual conferences carefully avoid the old term lest they be classed as only ameliorative and not constructive in policy and technique” (May 17, 1926).

The importance of the new professional identity and its close association with practice is evident in the annual reports. NEHLW (1939) introduced a new executive director as someone who is *trained* in specialized knowledge: “a graduate of Harvard University and has specialized training in the field of sociology and in the study of juvenile delinquency.” That same year a report from the Extension Secretary (titles became more specific) describes the work of the office in ways that signal professionalism by mentioning specific practices around material objects associated with professional work (offices, desks, hallways, doors, records, people waiting for appointments):

“All morning and most of the afternoon our long hall is buzzing with life. Every seat is filled with people seeing about admission or waiting for appointments. Through the doors of the office may be seen the secretaries working on our records, bookkeeping and letters. The door of the social worker’s room opens to reveal rows of desks, which are used by members of the social service and medical staff. The days are filled with interviews and discussions between the superintendent, doctors and social works. This is what goes on behind four walls” (Mrs. Eugene A. Crockett, Extension Secretary. Little Wanderers, 1939).

The accounts of social performance that mattered into annual reports in the early twentieth century are themselves a performance of the professional aspirations of the social workers. The annual accounts were restructured around departments and made visible the efficiency of each as well as cost-drivers of the organizations' activities. For the 17 years from 1926–1943, NEHLW reported annual statistics following the format shown in Figure 3.2. Different regional offices mattered as different columns. Departments were differentiated and mattered separately (enacting differences that matter), each with their own performance metrics: Sixteen for the Department of Advice and Assistance; nine for the Department of Foster Homes. A section on “Dominant Case Facts” gives a tabular categorization of causes.<sup>33</sup> Consider the meanings entangled in the difference and equivalence forged by the categorizations used. Desertion by parent and divorce are a single category, rendering immaterial the difference between the two. Likewise, unemployed father is in the same category of “problem” as working mother, rendering immaterial the differences in harm caused by the two phenomena. Finally, stepparent stands alone, rendering the difference in harm to a child by a stepparent as materially different than divorce, working mother or desertion. The arrangement of annual statistics around causes and cost-drivers is visible in the other charities in my study. Consider, for example, Avon Home 1915 (Table 3.6).

However, as hinted by the comment that “great annual conferences carefully avoid the old term lest they be classed as only ameliorative and not constructive in policy and technique” (NYT, May 17, 1926), and, as stated earlier, that the meanings entangled in these tables cite earlier ameliorative forms of charity, the long tables of *output* statistics performed a bureaucratic and managerial professionalism, but they were not sufficient for a social worker focused on understanding cause and effect in order to inform policy and technique.

The inscriptions in my study enacted the new professional social work outside of the tables of annual statistics. NEHLW focused on the scientific foundations of causes and began to include a regular section titled Reports from The Department of Child Studies. Citing the textual structures of scientific research, including “methods and materials” and “selection of subjects,” and graphical formats that cite scientific knowledge (Figure 3.6), this section mattered into the reports’ measures, charts and correlates of details (caloric intake, IQ, height) about the children in NEHLW care.

In addressing cause, records kept by social work practice allowed (and constrained) the possibility of reporting on cause. In this quote from the report from the Executive Secretary of Bethesda in 1920, the Executive Secretary is able to comment on Dr. Bingham’s study of causes of sexual delinquency because at some earlier time records had been materialized by social workers because these facts mattered to somebody. In an idiosyncratic fashion, social workers recorded mention of the man, his nationality, occupation and relationship to the girl. These were mattered into the annual report because they were the inscriptions that were available. The earlier mattering enabled the later materialization. It was another report that interacted with the Bethesda’s records, rendering the certain inscriptions about men into the report in 1923, but not any year prior or after (thus Bethesda Society’s annual report, like the research report critiqued below, is a charity serving women with “sexual difficulties” that never mentions men).

"The other day a social worker said to me, 'Did it ever occur to you that we neglect men in social work?'...This fact struck me particularly the other day in carefully going over Dr. Bingham's 'Determinants in Sex Delinquency in 500 Adolescent Girls'... This is a very careful and detailed study of almost every possible factor involved in a case except the man himself, who, as far as the report goes, is practically non-existent. *Our own records are not very complete, but we have recorded the following facts:* One each of the following nationalities, Finn, Italian, Scotch, English, Chinese, Colored, Esthonian and Greek. In most instances their occupations have not been noted, but where they have they run as follows: farmer, laborer, motorman, electrician, dealer in auto parts. Two of these men were noted as being employers, one the father of a family where the child was boarded, a legal guardian, two cousins, three uncles, six own fathers, and three step-fathers... In seventeen cases court action was attempted with the following results: there were seven findings of guilty with the following sentences ... Six men were dismissed as not guilty, and four either could not be located at all, or disappeared before trial. (Bethesda, 1923, emphasis added)

Paired with a greater focus on cause, the reports focused on the results of their work. Bethesda, for example, printed an Outcome Report in 1923, which was introduced as follows: “The conduct of the girl at the time she left us could not be considered any index of permanently successful outcome; that we must continue to get information about our girls and their relation to the community in order to know anything at all about outcomes” (The Bethesda Society, 1923). A study was undertaken and the results tabulated, as shown in Table 3.7.

Inscriptions related to cause and effect were never incorporated into a template that was disclosed each year as a matter of practice. The tables of annual statistics remained focused on volume and efficiency of work. Even though it is apparent from the quote above that the internal record-keeping was available, the fixed tables of annual data were not adapted to accommodate inscriptions pertaining to causes or any pertaining to long-term results. Cause and effect were treated in one-off sections.

Consistent with prior work on annual reports, the inscriptions that materialized in this era encompass moral and technical accountability, legitimacy, advocacy and impression management objectives as part of a *becoming*. Through format, inclusions and exclusions, inscriptions both cite and enact the beliefs and ethos being espoused by certain material discursive practices, specifically a nascent (and, as will be elaborated below, floundering) social work profession, entangled with the material-discursive phenomena of bureaucracy, rational management (Weber, 1999) and professionalism in a more general sense (Lipartito & Miranti, 1998).

The relationship between the inscriptions materialized and those that are meaningful to donors is unclear. On one hand, it seems clear that the inscriptions were not materialized to fulfill a dyadic accountability relationship. In 1921, for example, the Bethesda Society described donor apathy toward the measurement of social performance (as shown in the first quote below). On the other hand, there is evidence in the annual reports that donors were interested in social performance information and demanding more. Only two years after Bethesda described donor disinterest in measurement, the same

Executive Secretary wrote that there was no topic of greater interest to donors than the measured results of outcomes (as shown in the second).

“I fancy that there is greater division of opinion as to the wisdom of expenditure for stenographic services than for almost any other item in the budget, many directors and donors believing in their inmost hearts that this is largely wasted money, while most workers find their records absolutely indispensable. (Bethesda, 1921)<sup>34</sup>

Naturally, one of the questions most frequently asked about our work is, “How many of your cases are successful?” ... In order to have material on which to base an answer to the above question, a small sum of money was obtained for a special study. (Bethesda, 1923)

Other research has found that when certain inscriptions are persistent such that users of reports are frequently exposed to them (Tan, 2014; Simpson, 2010), or when they appear to encompass a particular logic (Pollock & D’Adderio, 2012; Manochin *et al.*, 2011; Cardinaels & van Veen-Dirks, 2010; Quattrone, 2009; Cardinaels, 2008; Lipe & Salterio, 2002), they will take on more weight in the minds of users. It would be expected that the persistence of annual statistics on efficiency, and the infrequent unstructured inscriptions of cause and effect, would performatively enact a mattering in the minds of donors on efficiency more than results. Indeed, over the period of increasing statistics, articles in the *New York Times* convey an increasing interest on the part of the public in the efficiency and effectiveness of charities. The quote below, from 1935, suggests a practice of using social and financial accounting numbers from annual reports to assess the efficiency of a charity. However, if there was a performative

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<sup>34</sup> The Executive Secretary’s defense of stenographers is interesting because it highlights interaction with accounting, by likening stenographers to bookkeepers and asserting, through analogy, that the two systems of knowledge are on equal footing: “To the worker the record serves a double purpose: to make available an accurate history of constantly changing and developing personality, and to serve as a record and reminder as to just what has been done or has been left undone in the innumerable details of the work. ... It is very difficult to make this comprehensible in a few words, but to try to do constructive work with a large number of individuals without records is quite comparable to running society without any bookkeeping and would be productive as much of the same results. Furthermore a good record is the only means by which a new worker can intelligently make up the work of her predecessor, and the only reliable means by which a supervisor of other workers can judge of and assist their work. Records have additional value for use in research studies on which are founded new preventative methods and desirable changes in legislation and valuable for teaching purposes” (Bethesda, 1921).

relationship between the inscriptions in reports and the minds of donors, it was disrupted in the 1940s as inscriptions were de-mattered, or perhaps de-mattered themselves.

Are there really any practical criteria by which to judge whether or not an organization or institution is deserving of support? To help answer these important questions... The Welfare Council... has developed certain standards which are invariably applied in judging the qualifications of organizations seeking contributions from the public. These standards, identical in principal with those used by any businessman in judging a commercial organization, are as follows:

1. A legitimate purpose with suitable program and no avoidable duplications of the work of another *efficiently managed organization*.
2. *Reasonable efficiency in conduct of work*, management of institutions, etc. and suitable equipment for such work, both material and in personnel, and a budget indicating an attainable program.

(Letters to the Editor. Choosing Charities: Charity Organization Society Bureau ready to give help. Samuel Welldon, Chairman. March 8, 1935)<sup>35</sup>

### **Quantity: de-mattering of accounts**

The decline of social performance reporting was rapid: after 70 years of increasing accounts, they disappeared over the span of 10 years. Below are four examples. In each figure is evident a rapid and significant decline in the quantity of annual statistics. The Bethesda Society (renamed Orchard Home School) annual statistics declined between 1930 and 1931; they went from over 40 lines in 5 tables to only 11 lines (Figure 3.7). In this case, the decline was part of a sudden reduction in the length of the annual report (14 pages to a single sheet of paper folded to create 8 small panels), likely a response to financial hardship — evident in the financial statements — caused by the Great Depression. The annual statistics, although reduced, comprised a substantially greater percentage of the shorter report (from 1/14<sup>th</sup> to 1/5<sup>th</sup>). In the 1930s, as stated above, tabular social performance accounts were entangled with notions of professionalism and efficiency. Financial hardship required protecting these statistics, thus as all parts of Bethesda's accounts were cut, annual statistics were cut the least. In the same period, other charities

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<sup>35</sup> Of interest to accountants, item 6 in this list was, "Complete annual audited accounts prepared by a certified public accountant, trust company or university department, and made available to the public."

facing financial hardship responded by *increasing* annual statistics. (NEHLW ran a deficit in 1930 but maintained the same quantity of annual statistics and added a special Q&A section about the charity's methods, effectiveness and use of funds.) The Bethesda example highlights the importance of relative quantity as well as absolute quantity of reporting in understanding mattering.

In the other three reports, social performance reporting declined in the 1940s. When it declined in the 1940s it did so in absolute and relative terms. The New England Home for Little Wanderers (Figure 3.8) annual statistics decline from a page and a half in 1945 to a few lines in 1947. Avon Home (Figure 3.9) annual statistics decline from two pages in 1925 to one page in 1935 to less than half a page in 1940. By 1950, the Avon Home annual report had none. The Channing Home (Figure 3.10) statistics declined from two pages in 1937 to half a page in 1941. Taken together these images show a pattern of the social accounts of charities de-mattering in the 1940s. In all these cases, annual accounts reduced relative to the total pages in the annual report and relative to other information, such as financial reporting (Table 3.8).

The widespread decline of social performance measurement in this period has been observed by Barman (2007) who attributed it to the emergence of the welfare state and the shifting role of charities in relation to government-provided services. She notes: “the welfare state expanded, the voluntary sector no longer bore the weight of delivering social services and solving social ills. Instead, it was the space of experimentation, flexibility, and meaning. In result, the use of measurement markedly declined, if not disappeared” (Barman, 2007, p. 108). Barman writes “in result.” The causal relationship she supposes merits some interrogation. Why should it be that experimentation, flexibility and meaning should be without inscription in accounts? Annual statistics declined. So too did qualitative accounts. Why does a turn toward experimentation, flexibility and meaning “result” in an absence of materialized inscription?

Based on the eight charities studied, the nature and timing of the de-mattering of a particular charity's inscriptions is a result of specific interaction with other expert practices, accountability context,

but also the absence of format around experimentation and flexibility. There was no template to assert the materiality of new kinds of measures.

#### *Changing accountability context*

From the inscriptions, it is clear that the charities in my sample served fewer and fewer people in the period that social performance reporting declined. The Avon home helped 995 children in 1935; 349 in 1944; and 125 in 1950. NEHLW served 2806 children in 1930 and only 1080 in 1947, which itself may be an interaction with the emergence of the welfare state. In the US, in the 1940s, the middle class was growing and poverty was less visible. The Gini index of inequality declined from 22% in the 1920s to 12% in the 1950s (Saez, 2015). Rather than describing the urgent need for charity, as NYT's articles in the 1800s did, this NYT article from 1944 described need as a "vague abstraction."

"Most of us in the big city know that somewhere beyond ordinary sight there is a thing called grievous need, and that such need must look to charity for aid. But need, when not seen, tends to become a vague abstraction, as is the charity that goes to its rescue, though a better acquaintance with both would surely stir our hearts" (Charity in Action, NYT, 1944).

The accountability context was likely changed by donors having fewer personal encounters with the poor ("somewhere beyond ordinary sight"), which transformed need into a "vague abstraction" rather than a production process that must operate effectively and efficiently with urgency, something earlier donors in the era of scientific charity had felt. Perhaps this was the beginning of an era of *expressive* giving (Barman, 2007; Ruff, Saxton, Neu, under review).

The arrival of the Boston Community Fund<sup>36</sup> also changed the accountability context. The community fund organized the fundraising efforts ("united appeals") for Boston-area "agencies" (they did not use the word charity) and distributed money to them according to a formula. Charity fundraising became less dyadic as the community fund mediated the charity-donor relationship. Donations to the Community Funds came from the growing middle class through work.

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<sup>36</sup> The Community Funds' name changed several times, but I will call it by this one for simplicity.



“The charitable resources of community trusts in the United States and Canada rose to \$77,835,014 at the close of 1946, the New York Community Trust reported yesterday... The growth of community trusts, the report commented, had brought quadrupling of their resources and distributions in the two decades.” (NYT, May 19, 1947)

“[T]oday we give one-third as much as our fathers did and do it through community funds because it is easier to have someone else take it out of our pay-checks.” (NYT Feb 16, 1948)

The charities in my study embraced the community funds, but some of their contemporaries saw the funds as “insidious” because they “froze out experienced social workers and centred control in the Chamber of Commerce” (Carson, 1990 p 183).

Community Funds did not have an immediate effect on the inscriptions that mattered. By 1947, when NEHLW social reporting fell to half a page, it had already been a “red feather agency” for several years (the red feather was a seal on the annual report indicating that the charity was a participant in the united appeal). The shift in revenue sources from direct donations to donations mediated by the united appeal occurred years before social performance reporting was de-mattered. Just before the community fund emerged, in 1931, 25% of NEHLW revenue came from direct contribution. By 1941, still six years before reporting declined, only 6% (\$8.5K) of revenue came from direct contributions and 28% (\$42K) from the community fund (income from invested funds (\$72K) and earnings from operations (\$24K) continued to be major revenues). Social performance information continued to matter in reports, despite the decisive shift in revenue sources. In 1941, NEHLW included two pages of tabular annual statistics, a five-page FAQ and six pages of prose discussing progress of individual children and programs. The preamble to the FAQ (below) speaks to an ongoing dyadic accountability relationship with donors who were seeking information about NEHLW.

“There seems no limit to requests for information. Again and again we are asked for brief answers to many questions about our work... we have decided to answer some questions again in this issue ...After all, the soundest basis for friendship is knowledge and trust. In order to trust an organization, one must know it fully. Let everyone who has a question always be quick to ask it, and we will try to answer.” (NEHLW, 1941)

But the Community Fund figured large in the reduction of accounts. In the year that the annual statistics fell to half a page, NEHLW changed its year-end to match that of the Community Fund, to enable “a better understanding for both organizations” and align the reporting periods of “statistical and financial reports” (NEHLW, 1946\*<sup>37</sup>). The move seems to represent an intentional shift away from social work coordination and a certain bureaucratic form of accountability. In a section titled “Faith in Machinery,”<sup>38</sup> the Executive Director wrote:

“Today we are again in the hands of the system-makers. Everyone seems to be trying to work out a system for social perfection. Social work is full of planners. Our national government has been in the hands of planners for sometime – earnest folks who see the millennium just around the corner of the house in which the planners are at work.... We do not wish to discount plans and systems, and we are wearing ourselves out trying to cooperate with the system-makers.” (NEHLW, 1946\*)

The 1946\* annual report fell from 24 to 16 pages, and in lieu of the regular anecdotes of real children in their care (or the two pages of annual statistics, for that matter), NEHLW quoted passages of Dickens’ *Bleak House* “at random” for two pages, prefaced by an unflattering description of the record-keeping practices of social work:

One who is obliged to read many case records of social workers often wishes that the descriptions of people and situations were a little more lively. Maybe it would be a good idea for schools of social work to give courses in record-writing, and to search out from great books some excellent examples. At the moment we have in mind some such descriptions as are found in practically every chapter of Dickens, such as the following picked at random out of “Bleak House.” (NEHLW, 1946\*)

It is impossible to know why Dickens was quoted “at random” for two pages: it signals the entertainment turn in the annual reports, and is a firm pronouncement of the de-mattering of social performance reporting that Dickens took precedence for space. Printing technology fixed report lengths into multiples of four, suggesting they may have had pages to fill, but does not explain why the space was not filled with a more detailed treatment of the annual statistics or qualitative accounts of outcomes.

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<sup>37</sup> I represent the NEHLW 1946 report with an asterisk because it covers the period from April 1, 1945, to December 31, 1945. The 1945 report covers the year ending March 31, 1945. The 1947 report covers the year ending December 31, 1947.

<sup>38</sup> A reference to [Matthew Arnold’s critique](#).

Qualitative accounts are more amenable to a flexible/adaptable program that is “weary” of co-operating with system makers. The executive director’s language suggests he is looking for a template for such accounts as a means of organizing information in a readable fashion.

After 1946, the annual reports of NEHLW took a turn toward entertainment and general-interest topics. Instead of tables and scientific studies, there were animal parables and moral commentary on the times (for example, a warning on the “harmful effects made upon young minds by the comic books,” including “criminal or sexually abnormal ideas” contributing to “delinquency” and “emotional disorder”; and the assertion that comic books were “crime primers for children!” (NEHLW, 1948, p. 6<sup>39</sup>).

The social performance inscriptions that de-mattered were, as mentioned, largely performances of managerial efficiency and social work professionalism, but the inclusion of a special FAQ in 1941 suggests that donors were interested in the information. Many of the questions appear to be seeking clarification and elaboration of the numbers provided in the annual statistics. Some of the FAQ are readily answered by the statistics, suggesting perhaps some readers were interested in the information, but were put off by the tabular format. Questions include, “How many children do you have in your care?” The answer offered in the text did not restate that year’s statistics but spoke to capacity (e.g., fifty beds in the institution), but spoke to capacity utilisation (whenever possible we keep the number below 50, having some room reserved for emergencies), average number of children under care at a given time (approximately 450) and average number of children cared for in the year (1000). There is a similar elaboration of financial information (What is the annual cost and how is the home supported?) readily found in financial statements. Other questions relate to outcomes (“Do you know how the children turn out?”) and methods (“Do you place children up for adoption? How long do you keep the children under

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<sup>39</sup> Radio and video were “warned against” in 1950.

care? How do you get the children? Do you go out and look for them?). On the precipice of a great de-mattering, it seems this information mattered to someone.

The de-mattering of social accounts — both qualitative and quantitative — in the annual reports is the result of specific interactions of material arrangements, such as the insertion of community funds as an intermediary between donor and charity, and the different physical arrangements of poverty in relation to donors (distant, invisible). The persistence of inscriptions for several years into these antecedent conditions speaks to the manner in which inscriptions, as templates, assert their own mattering. The moment of de-mattering occurred the year the board decided the Community Fund needed to understand the organization, and that they were worn out trying to cooperate with social work planners; perhaps an interaction with the emergence of the welfare state that Barman linked to a decline in measurement. Barman (2007), citing literature from 1966, noted that social services were being increasingly required to follow rigid routines and procedures and that these rigid standards constrained the ways that agencies could respond to different forms of human need and emerging social problems (Barman, 2007, p. 108 – citing Owen, 1966, p. 534). Committing to the community fund, which was not government, may have been a rejection of the rigidity imposed by government. It suggests that patterns in disclosures observed are governed both by broader apparatus of material-discursive arrangements and very local-specific interactions.

#### *De-mattering and expertise*

The de-mattering of NEHLW accounts also reflects a de-mattering of social work as an expertise. As suggested by the comment “we are wearing ourselves out trying to cooperate with the system-makers” many of the line items that were eliminated from the annual statistics pertained to the collective data-gathering and coordination with other social workers (Table 3.9). The 1946\* report provided five lines on both children in foster care and in institutional care (in care, admitted, total, discharged, carried forward), but no longer specified how many of the admitted children had previously been under NEHLW care or how many of the discharges were due to death. The 1945 report expressed totals twice, first as number of

children and second by number of families represented; the latter was removed from 1946\*. The 1946\* statistics no longer broke out types of care, cases of unmarried mothers, and removed details of services to other agencies. In all cases, these figures remained part of larger totals but were no longer recorded as visible (material) in the report. Overall, NEHLW annual statistics went from 63 lines to 16 lines, of which 21 lines are details of subcategories no longer given, 19 lines related to details of payees and 7 related to unmarried mothers and relationships with social workers. The essence of the information conveyed is unchanged; certain details are no longer mattered. This wrestling with appropriate level of disclosure detail is materiality (or lack thereof) as accountants understand it. The details de-mattered.

The difference in this change in materiality coincides with struggles of social work's professionalization project to achieve, as accountants and medicine did, independent control of a well-defined body of knowledge (West, 1996; Richardson, 1987 p 341). Professions have been characterized as communities in control of expert knowledge, referring both to the lack of other occupations controlling the knowledge, and to self-regulation with limited oversight by government. The emergence of the welfare state put government in greater control of social work knowledge. The lack of a defined body of knowledge was caused, at least in part, by competing ideas of what qualified professional expertise itself.

In 1915, Abraham Flexner<sup>40</sup> gave a lecture titled "Is social work a profession?" that has haunted social work since (Austin, 1983). He argued that social work was not one because professions have a "definite [meaning demarcated or differentiated] field" of practice that is "communicable." "The occupations of social workers" he concluded "are so numerous and diverse" that it was not feasible for it to be "purposefully organized" or communicated. Social work was not a profession because of "the vagueness of the enterprise in which they are engaged" (Flexner, 1915).

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<sup>40</sup> Flexner's report on medical education is regarded as having been significant to medicine's professional ascent (Ludmerer, 2010).

The accusation of “vagueness” devalued competing notions of professionalism and accountability. The shift toward “experimentation” and “flexibility” being championed by Hull House — and effects on styles and possibilities of accountability were explored by Oakes & Young (2008). Hull House was no fringe group. Its founder, Jane Addams, is considered to be *the* founder of the social work profession (NASW, 2016) and won a Nobel Peace Prize for her work there (the first woman to do so). John Dewey, the pragmatist philosopher, served as a trustee of Hull House (Bryan & Davis, 1990). Much of Addams’s work resists a rigid, regular, pre-formed set of measures for social performance. Addams’s approach resisted the annual statistics and made communicating impact less succinct and precise, but perhaps more meaningful. Flexner’s (1915) claim that an absence of precise, communicable aims precluded social work from being a profession, runs counter to Addams’s refusal to define a “theory of change or a foundation of moral behavior” (Oakes & Young, 2008 p. 785) on the grounds of professional excellence.<sup>41</sup>

But Flexner anticipates what will happen when expertise built around flexibility interacts with expertise of defined objectives, like accounting (Agnew, 2003). He equates professionalism with an expertise that can be encoded in a template. He asserts that flexible adaptable practice will (and should) be subordinated to that which is well-defined.

Let us suppose for a moment that our reflection on the differences between the accepted professions and social work reminds the social worker at crucial moments that he is, as social worker, not so much an expert himself as the mediator whose concern it is to summon the expert...He will, I mean, be conscious of his dependence...For if social work is not definite enough to be called a profession, the social worker will at least be less cock-sure than the professional man whom he calls in. (Flexner, 1915)

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<sup>41</sup> Another possible reason that social work had not emerged as a well-organized profession by the 1940s may simply be disorganization. The National Association of Social Work’s own description of its history depicts the period from 1917 to 1955 as one of disarray ([socialwelfare.library.vcu.edu](http://socialwelfare.library.vcu.edu)). It is conceivable that the contradiction between Addams’s methods and widely accepted criterion of professionalism contributed to the disarray.

Flexner's statement captures the gendered critique of professionalism that conflates certainty in aims, with confidence in manner (he even used the gendered expression "cock-sure"), with correctness of knowledge (Davies, 1996, p. 669; Haynes, 2016; Kirkham & Loft, 1993). It argues that when the knowledge systems interact, the templated and cock-sure one will be (Flexner would say should be) dominant. It anticipates that when charity activities are flexible and experimental, the material traces of inscriptions in annual reports will increasingly show marks of only those practices that are well defined. Drawing on the metaphor of diffraction it anticipates that the intra-actions of knowledge systems, the practices of social performance measurement and reporting would not be powerful enough to leave a trace.

And so it was that after the New Deal of 1933 and 1934 made annual statement certification mandatory, and accounting was catapulted to professional status (Lipartito & Miranti, 1998, p. 309) — ascending throughout the 1940s, as charities embraced flexibility, experimentation and meaning — financial statements mattered more and more in annual reports of NEHLW and others. The social performance inscriptions dematerialized. The professional project of social work had not created a well-delineated expertise to matter into accounts, perhaps because it resisted "cock-sure" "definite" in favour of a flexible experimental approach. The tabular presentation of the late 1900s had embodied a confidence — a certainty in the process — but social workers, following their professional ethic, increasingly materialized qualitative (Bethesda) and as-needed studies (NEHLW, Bethesda) that embraced the flexibility advocated by Hart House (Oakes & Young, 2008), they de-mattered the annual statistics, and left the social content without form, without trace, in annual accounts. Flexibility defied fixed forms, and without form it didn't appear to matter.

### **Re-mattering**

The recent uptick of interest in accountability in general, and in the performance of charities in particular, is by now common knowledge. In the 1980s, charities began to feel the pressure to

demonstrate competency through measurement of activities and achievements in order to secure funding and legitimacy from government and foundation funders; the rhetoric of accountability and performance measurement has intensified through to the present day (Barman, 2007; Carman, 2009, 2010; Campbell, 2003; Gray, Dey, Owen, Evans & Zadek, 1997). Interest in charity performance returned in the 1980s when governments shifted from direct provision of welfare services to contracting third parties (often charities) to provide services. Performance *measurement* returned as a means for government agencies to assess value for money and to “manage performance without managing organizations” (Paton, 2003, p. 31). Performance reporting was reborn predominantly as a private affair between governments and recipient charities; the foci of reporting became the performance of *activities* covered by specific grants or contracts rather than that of the charity as an organization, because the point of the performance measurement was for the funder to be accountable to its constituents.

After decades of mentioning charity only (almost only) in reference to galas and Christmas giving drives, the NYT started talking about charity again with titles like, “Assessing how gifts to charity are used” (June 29, 1985); “Charity rise credited to greater need” (Dec 21, 1982); “Charity to Focus on Underclass” (Jan 22, 1989); “Giving to Charities: Get Facts (Sept 22, 1985); “New Charity Coalitions Challenge Longtime Dominance of United Way” (Jan 3, 1982); “United Way Assailed as Monopolistic Charity (Nov 8, 1981); “Who Benefits From Charity?” (March 9, 1986); “Yes, Investigate Charities But Don’t Stop Giving (Dec 12, 1988); and “Seeking Charities That Actually Help” (Dec 2, 1989). The text in these articles describe a new class of people who are “unaccustomed to charity” (Dec 21, 1982), “persistently poor Americans who have become the country’s underclass” (Jan 22, 1989), noting that “increasingly, the homeless are visible in our streets and towns” (March 9, 1986). Accompanying the new poverty is an old familiar refrain beseeching donors to do their homework and “make sure a donation is used to help the less fortunate instead of making a profit for a professional fundraiser” (Dec 2, 1989).

In the decades surrounding 1980, the conditions of de-mattering flipped. Social work established professional licensing requirements, which became law in every state (NASW, 2016), government



adopted new tools for “contracting out” welfare services to charities (Hood, 1995; Smith & Lipsky, 1993), Community Funds and United Ways receded in importance, and poverty and wealth increased. Inequality in 1990 was at the same level as in the 1920s. By 2000, the Gini Index had reached 24% (Saez, 2015). The newfound wealth at the turn of the millennium “shifted the balance of power in organized philanthropy from philanthropic institutions to the wealthy [individuals]” (Hall, 2003, p. 382; I would say “back to the wealthy”). The institutions Hall (2003) referred to were the legacies of the wealthy philanthropists from a century earlier (e.g., Rockefeller Foundation), which had evolved into bureaucratic granting institutions run by skilled managers. At the turn of the millennium, philanthropy shifted back to wealthy individuals, who are now citing in the methods of scientific charity under new names like strategic philanthropy, high-impact philanthropy or venture philanthropy (Brest & Harvey, 2008; Frumkin, 2006, 2003).

The new accountability context demanded new inscriptions. NEWHL’s 1993 report opens with the statement, “This past year has been a most challenging time for us at The Home. The nation trend is for a service model with measurable outcomes ...” (NEHLW, 1993). That report includes a story of a single child that demonstrates at least one successful outcome and increases the appearance of performance measurement by giving a different layout to the exact same statistics that took up half a page in the 1989 report such that they took up three pages in the 1993 report, which is some indication again that the volume of space is a measure of mattering, even if the information context that could fulfill accountability relationships is unchanged. Similarly to earlier eras, the new social performance inscriptions cite formats available. The output statistics that NEHLW mattered into the 1989 report (Figure 3.11) cited the presentation of financial accounts (Figure 3.12), which since the 1960s had been a short summary statement and two pie graphs (another performative influence of printing technology).

But the inscriptions reveal traces of a new set of interactions with expertise, technology, accountability and format. By 2014 the Annual Report (28 pages long — still a multiple of four, although produced as a .pdf) was almost devoid of numbers except the key financial ratios popularized by charity

rating agencies (Barman, 2007, p. 108). Substantive information, including audited financial statements and impact reports, were published on NEHLW's website, outside the annual report. The social performance information consisted of vignettes of successful outcomes and one page of brightly illustrated infographics depicting daily averages of things like 105 breakfasts served, 108 students attend special education schools, 93 hours of therapy are provided in Boston Public Schools, etc. (Figure 3.3). None of the social performance information is in tabular form. It does not cite accounting formats or scientific ones. The arrangements are most reminiscent of advertising. The redundant use of space (both stating and illustrating 105 breakfasts) is a trace left by inexpensive digital communication. Overall, however, despite the rhetoric, the inscriptions do not show the traces of social performance mattering. Perhaps the greatest signal that they don't matter — in a physical and accounting sense — is the paucity of information juxtaposed with this statement from the NEHLW website:

“We continuously measure the impact of our work to develop and enhance our programs...The mission of the Risk Management, Evaluation, & Outcomes (RMEO) department is to provide support and expertise in continuous quality improvement, program evaluation, and outcomes to the programs and departments of The Home, so that we are consistently in a position to respond effectively to the following questions for ourselves and others: *Are we helping? How do we know?*” (thehome.org<sup>42</sup>)

None of the information from RMEO materialized into the report or the website. It is mattered somewhere, perhaps in files on computers in the office, but not in the annual report or online. Barman notes, and is evident in NYT articles and charity annual reports, that in the new accountability context “a new aspect of voluntary organizations [is] being quantified.... Increasingly, nonprofits were being judged for goodness based on their financial efficiency—the ratio of fundraising costs to total income” (Barman, 2007, p. 108). This, again, may be evidence that the formats of what was reported with persistence influenced what donors find material.

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<sup>42</sup> [http://www.thehome.org/site/PageServer?pagename=programs\\_evaluation#.V9yPepMrIUE](http://www.thehome.org/site/PageServer?pagename=programs_evaluation#.V9yPepMrIUE) September 16, 2016.

At the turn of the century, the organization at the centre of rationalizing charity was the charitable organization society, itself the founding organization of social work. One hundred years later, the organizations vetting charities, or at least the ones featured in the NYTs, were Better Business Bureau (BBB) and Charity Navigator. The BBB's charity-related work was led by a former investment banker; Charity Navigator created an online database populated by charity financial tax filings to the IRS. In both cases, the embodied knowledge and material form of available information was financial. It shaped what information figured in the new accountability context. In part, the material configurations of the tax forms (content and digital medium) and the embodied expertise of the lead on charities at BBB enacted their own mattering into a new accountability context for charities.

### **Accountability and Materiality**

The analysis presented in this chapter has been about the material inscriptions in an accountability document. The following quotes show that accountability and materiality were on the minds of the writers of the reports; these are not present-day-only concepts being projected onto the past.

Below is a selection of extracts showing that the report writers were being asked to give "reasons for conduct" (Roberts & Scapens, 1985, p. 447).

1865: Aunt Polly<sup>43</sup> came to make a few inquiries. How many children have you got? How many teachers, and how much do they realize? ... Do you ever whip the little things? Do you be sure to get good homes? ... How much salary do the missionaries have? Why don't they work for free? ... Do you take good care of the sick babies? - I had a call, and was obliged to leave Aunt Polly just as she had commenced. (NEHLW)

1878: We plead, on the other hand, that the Institution did not belong to the Board of Directors, nor to the working force, but to the public and all its workings should be

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<sup>43</sup> "Aunt Polly" is likely a reference to Mark Twain's character, Aunt Polly, "the naive, reformist, yet loving aunt of Tom Sawyer." <http://twain.lib.virginia.edu/projects/applebaum/aunt Polly.html> "Aunt Polly is a kindhearted, rather simple old woman who takes her responsibility for Tom and his half-brother Sid very seriously. Employing whacks on the head with her thimble, frequent scoldings, and the quoting of Scripture, Aunt Polly tries, unsuccessfully, to force Tom to abandon his high-spirited ways." <https://www.britannica.com/topic/Aunt-Polly>

open to the public who support it... It compels the working force to attend to their duties and see that every department is ready for inspection.” (NEHLW)

1880: The accounts are offered for your perusal without comment. The figures are plain and can be easily read. (Roxbury)

1923: Naturally one of the questions most frequently asked about our work is, ‘how many of your cases are successful?’ (Bethesda)

1932: It is a legal and moral duty of every corporation to give at least an annual account of its stewardship to its stockholders. This is particularly true of charitable corporations. We consider that all our friends among the citizens of New England who have given us understanding, moral and financial support thorough out the years are our stockholders. (NEHLW)

1943: There seems no limit to requests for information. Again and again we are asked for brief answers to many questions about our work (NEHLW).

1941: Do you know how these children turn out? We know how a great many of them have turned out because we kept in touch with them until they were grown men and women. (NEHLW)

1950: Since 1865, it has been the policy of The Advocate to devote part of one issue during the year to giving some account of our stewardship. The time has come to do that again. (NEHLW)

To a lesser degree, there is evidence that the report writers were thinking about the materiality of information as they prepared the annual reports.

1889: We come before you with few details not caring to repeat what has been said in former years. (Roxbury)

1895: The one hundred and first annual meeting of the Roxbury Charitable Society was held at... The following reports were read: ... The President was requested to prepare the annual report for publication, inserting therein such proportions of the several reports presented at this meeting as may seem expedient. (Roxbury)

1906: We could spend a good deal of time fussing with figures that would swell the Annual Statement, - it would be only a swelling. Take the record of "Received and Cared for," "Gone from us," and the “Treasurer's Report”; these are the concrete statements of the year's work. (NEHLW)

1925: For lack of space, only on the more significant items....<sup>44</sup> (Bethesda)

1932: (continued from above quote in accountability) When the Superintendent faces this particular task he is of course tempted to relate as far as he is able a full story of

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<sup>44</sup> This same report considered the categorization of expenses with respect to social purpose: “What is a haircut? Is it a charge against health from the point of view that it reduces the risk of contagious disease and curtails the purchase of larkspur? Or is bobbed hair a mere passing fashion, and should those who indulge in it pay for it from pocket money? For our own purposes we have decided that a hair cut is analogous to hair ribbons, hair nets or any other device to encourage neatness— therefore, *clothing*.” (Bethesda, 1925)

the 365 days of facing the troubles of children. These are times, however, for “doing” rather than “talking” and we have condensed these reports to the minimum so that in a few moments our readers may summarize in their minds the outstanding facts which measure the amount or extent of this year’s accomplishments with the organization and the money involved. (NEHLW)

To put this study in meaningful dialogue with the other accountability studies of charity reporting, online and in annual reports (Dhanani & Connolly, 2012; Saxton & Guo, 2011; Hyndman, 1991; Connolly & Hyndman, 2004), I score NEHLW reports using the approach used by Connolly & Hyndman (2004) and some portions of Dhanani & Connolly (2012).<sup>45</sup> This is not an exact replication. Connolly & Hyndman (2004) only considered information delineated from the main body of paragraph text (heading, label, table or chart) and Dhanani & Connolly (2012) only considered information in paragraph form. While they each had their theoretical reasons for constraining their studies, replicating these constraints for reports that span periods in which narrative and tabular reporting wax and wane in relative importance would not usefully inform measures of accountability over time.

Instead I focus on replicating their presence-absence scores based on categories of disclosure, unrestricted by format of disclosures. Connolly & Hyndman (2004) classified disclosures as goals and objectives, inputs, outputs, results, and effectiveness. Dhanani & Connolly (2012) classified charitable intentions, impacts/results/outcomes, and efficiency of program activity. An annual report was considered to have reported on the category if there was “at least one disclosure” related to the category. Based on the condition of “at least one disclosure,” every NEHLW report after 1872 scores perfect on both of these rubrics. Even in the scant reporting of 1989 and 2014, there was at least one disclosure about outcome (for example, recounting the success of one child), and always mention of intentions and outputs (“efficiency of program activity”) such as number of children served by the various departments during the year. This highlights that NEHLW reports are strong reports compared to charities today: few charity

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<sup>45</sup> Thank you to the authors for sharing their coding materials with me.

reports in the two studies scored such high scores; although both studies ignored some content, so comparisons should be taken with caution.

### Implications & Conclusion

The chapter set out to present an approach to social performance disclosures in annual reports that built on contributions from the accountability literature while overcoming some critiques of it. The approach is based on materiality, both in the accounting sense and in a tangible sense, bridged by the new materialism. How inscriptions come to be material, and how studying the process can be used to understand reports, was illuminated using a case of eight Boston-area charities, with analysis focused on The New England Home for Little Wanderers from 1865 to 2014.

Annual reports from charities are indeed accountability documents; they give accounts of the charity's work and the inscriptions offer evidence of specific publics demanding an account. What information is materialized (or not) to render the account is an enactment of intra-actions of objects and ideations; matter and meaning. I focused on the accountability context, templates, embodied expertise as well as codified material-discursive practices of professions, and communications technology, namely printing and the internet. I showed how intra-actions materialized inscriptions in particular formats and arrangements, and that these are the traces of the intra-actions that, performatively and agentively, influence future materializations.

A key advantage of this approach is the ability to be able to attend to both the "local" and "global" (Oakes & Young, 2008, p. 770) intra-actions propelling the inscriptions into form. Langton & West (2016) found that performance accounts in the Red Cross Australia's annual reports peaked in the 1930s and then declined, almost disappearing by the 1950s; they explained this in terms of the Red Cross's unique environment. Likewise, changes in NEHLW's social performance accounts can be explained in reference to its environment. Yet social performance reporting in these two organizations, in different fields on different sides of the world, track very closely, making clear that an understanding of

changing inscriptions must attend to broader phenomena (Tinker & Neimark, 1988). I show how the reasons for materializing an inscription to give an account is both very local (a particular person critiquing NEHLW that precipitated major changes in the content and format of the social performance reporting) and embedded in broader discourse (the critique came at a time when similar critiques were appearing in the *New York Times*). I show that the response to the critique becomes part of the discourse (many charities changed their reporting around this time; some citing NEHLW's format), but that the specific content and arrangement of the response is particular to the charity (NEHLW's format cited the financial accounts demanded by the "known person").

The notion of performativity gives agency and authenticity to local practices but situates them within broader phenomena. It conceives of the report writers "performing" the role of charity manager (entangled with other identities such as gender, professional, social worker or reverend) by *citing* the reporting formats available to them (Butler, 1993). The citation is never an exact re-iteration; it is not a copy (Derrida, 1988; Butler, 1993; Barad, 2007). It is an inscription with its own ontological authenticity entangled with the intra-actions that produced it (knowledge communities, accountability context, technology, etc., and the inscription it cited). The new materialism conceives of non-human actors (including objects) as having the same performative power to iterate (Barad, 2007). Printing presses, for example, perform annual reports in lengths that are multiples of four pages and thereby enacting certain mattering.

Relatedly, the notion of performativity theorizes the demand for the account as part of a shared apparatus of phenomena rather than exogenous to the account. The performative nature of the account, as a citation of prior accounts and an actor re-iterating form, means that it is false, for example, to presume that empirical evidence of increased reporting is empirical evidence that it was caused by increased demand for accounts. It may be the case. Or perhaps there are other factors influencing both (the emergence of scientific charity) or the accounts directly (managers performing professional social work). The accountability context is but one of the interactions materializing reports. To understand a report, it is

more useful to ask “why is this inscription here? like this?” than “were accountability obligations fulfilled?”

Accountability remained in my analysis as an accountability context but was never presumed to be the primary reason for disclosure. In many ways, this is a small departure from what many accounting scholars are already doing. The approach builds on the broader notions of accountability (Oakes & Young, 2008), emphasizes the importance of format as part of the overall meaning of the account (Jones, 2011), insists on the performative power of the account to alter practice (Keevers, Treleaven, Sykes, 2012) and affirms the importance of not just the presence-absence of an item but its absolute and relative quantity in the report (Dhanani & Connolly, 2012) (although disputes a correlation with quantity and accountability).

The study has a number of limitations. I focused on a limited set of intra-actions. My goal was to illustrate the production of what matters (in both senses) in annual reports as an intra-action of matter and meaning, and to identify some of the specific antecedents related to the mattering, de-mattering and re-mattering of social performance accounts in the eight charities in my case. The intra-actions I considered are most certainly only a partial set. The archive of annual reports that I used is thin after 1970. If there is a mitigation to this weakness, it is that this study is thinnest where the body of work to date is thickest. Non-profit studies (Hall, 2003 p. 377) and most studies of charity accountability and social performance reporting (SER) have attended to reports issued after 1970. I have focused my contributions where the literature as a whole had the largest gaps. I have used theory to suggest the possibility of a link between materializations in reports and possible patterns of donor mindsets. I don't make causal claims, only raising the possibility and showing where evidence seems consistent with that possibility. Causal link is constrained by the inability to contend with other possible influences.

Contributing to scholarship on social performance reporting, including for-profit SER and charity accountability, the research builds on findings of the relationship between the accounting profession and



social reporting knowledge communities (Edgley *et al.*, 2015; Malsch, 2013; Power, 1997). In the case study presented, social performance began as the primary form of accountability materialized by charities. Social performance reporting intra-acted with accounting knowledge, leaving material traces in bookkeeping formats (NEHLW, Bethesda, Avon) or integrated formats (Boston Industrial Home). In the 1930s, accounting successfully professionalized, but social work did not. Accounting formats standardized (and the practices to produce became more “cock-sure”), but social performance reports (and practices) did not. As these knowledge communities interacted, accounting reports took up relatively greater amounts of space in the annual report (became more material) and social performance less. Intra-actions with accounting were a factor in the mattering and de-mattering of social accounts along with other intra-actions with medicine (a phenomenon observed by Everett & Friesen (2010, p. 474)), technology, poverty and inequality, and the role of government. Charity reporting resurged in the 1990s. So did CSR-social accounting (Gray, 2001). Perhaps because of the embodied expertise of business, CSR developed formats more reminiscent of charity accounts in the 1920s than charity accounts today.

Contributing to accounting scholarship on materiality, the study highlights links between materialized inscriptions and their likelihood of future mattering. It shows relationships between templates and formats and content that professionals, with exposure to the templates, are likely to deem material. Finally, the study suggests that templates give a persistence to data beyond usefulness to decision making or fulfillment of accountability relationships, such that the text becomes habitual — a taken for given member of the set of things that “go in an annual report” even if the rationale for inclusion is forgotten, expired or questionable.

Overall the paper demonstrates a relationship between entangled material-discursive arrangements — things like templates, technology and embodied expertise — and the inscriptions that come to matter in a public-facing report.

## Tables and Figures

**Table 3.1 Annual Reports Reviewed, totals by charity and decade**

	50s	60s	70s	80s	90s	00s	10s	20s	30s	40s	50s	60s	70s	80s	90s	00s	10s	Total
New England Home for Little Wanderers	-	2	5	0	0	4	10	10	9	8	6	1	0	2	4	1	4	66
The Roxbury Charitable Society		4	8	6	5	2	4	-	-	-	-	-	-	-	-	-	-	29
The Channing Home			5*	9	4	10	5*	2	3	1		-	-	-	-	-	-	39
Home for Destitute Catholic Children		1	1		2	3	6	5	5									23
Orchard Home School, (Bethesda Society)	1						6	9	6			-	-	-	-	-	-	22
Avon Place			2	1	1	1	1	2	1	2	3	1						15
Boston Industrial Temporary Home				3	3	3												9
Home for Aged Men (Rogerson House)											1							1
Total	1	7	21	19	15	23	32	28	24	11	10	2	0	2	4	1	4	204
* The charity published bi-annual reports; this is a complete record. - The charity was not in operation.																		

Table 3.2 Tabular reporting citing accounting by NEHLW, 1872

We had at the commencement of the year	127
Received during the year	221
Returned during the year	32
Making the whole number cared for	380
Number received in 13 years:	4509

**Table 3.3 Tabular reporting citing accounting Bethesda Society, 1914**

Number of girls in Home February 1, 1913	20
Admitted during the year	<u>10</u>
Total,	30
Dismissed during the year: -	
Returned to family or guardian	2
Placed in positions	8
Transferred to other homes	1
Sent away to school	1
Returned to Court	<u>1</u>
Total,	13
Number in Home February 1, 1914	<u>17</u>
Total,	30

**Table 3.4 Home for Destitute Catholic Children 1904**

Report for the year (January 1 1903 to January 1 1904)	
Number of children in the house Jan 1	208
“ “ admitted during the year	967
Total for the year	1175
Number of children placed in families or returned to relatives	964
Number of children in the House Dec 31	205
Deaths	6
Number of children in the home during the year	1175
DAILY AVERAGE	206
AVERAGE COSTS	
Of each child per week	\$2.18
Total Number of children received to date	20,365

**Table 3.5 Tabular format with integration Boston Industrial Home 1890 (partial table)**

Women's department: -

Cash received for beds	\$429.65
Cash received for meals	<u>80.05</u>
Total,	\$509.70
Total number of beds furnished	4,729
Total number of meals supplied	<u>8,954</u>
Total	13,683

Table 3.6 Avon Home Statistical Report, 1914

Total number of applications from Nov 1, 1914 to Nov 1, 1915		299
Admitted to Avon Home boarding places	92	
Of those there were readmitted	<u>27</u>	
	65	
In free homes	1	
Board paid in own home	1	
Under observation at Waverly	1	
Advised and planned with	100	
Referred to other societies	22	
Supervised in own homes without board	90	
Withdrawn	<u>19</u>	
		299
Total number followed up and supervised		420
Total number admitted during the year	99	
Total number readmissions	27	
Thus the number of children was	72	
Number at beginning of year	<u>76</u>	
Number card for during the year		148
Number discharged during the year		<u>81</u>
Number at board, November 1 1915		67
Provided for as follows		
In boarding home	54	
Board paid in own homes	3	
Working not attending school	3	
Working and attending school	1	
In Canton Cripple school	1	
In Waverly Feeble Minded school	3	
In Infants' Hospital	1	
On trial for adoption	<u>1</u>	
		67

Table 3.7 Tabular outcomes report, Bethesda Society 1923

	Totals	Good	Poor
Married	26	20	6
Schoolgirls	28	28	-
In Other Institutions	7		
Working	29	24	4
	90	72	11



**Table 3.8 Social performance accounts decline**

NEHLW	Pages of Annual Statistics	Pages of Financial Statements	Total pages
1935	2	3	24
1945	1.25	3	24
1946*	0.5	2*	16
1947	0.25	1.75	24
*same content as in 1945, only compressed			

**Table 3.9 NEHLW Annual Statistics in 1946\* compared with 1945**

[Deleted, aggregate totals all children in foster care and other protection – 6 lines]

Foster Care of Children [Content unchanged, section brought to top line from 20<sup>th</sup>]

Carried over from preceding year [unchanged]

Taken under care during the year [unchanged, but the 3 subcategories are removed]

Total under care during the period [unchanged]

Discharged from care during the period [unchanged]

Carried forward to following year [unchanged, but repetition of total by family deleted]

[Deleted, all details on subcategories of type of care by payee eg/ family, other agency - 19 lines]

Children Not Taken Under Care [unchanged]

Receiving advice, information or referral [unchanged]

[information on pending applications deleted]

[Deleted, details of service to other agencies– 2 lines]

[Deleted, subcategory of unmarried mother cases – 5 lines]

Days' care provided in foster homes [unchanged, some additional wording removed]

Free foster home [unchanged]

Boarding home [unchanged]

Work or wage home [unchanged]

Total days' care in foster homes [removed to bottom of list]

Care in Our Institution [unchanged]

Carried over from preceding year [unchanged]

Admissions during the year [total unchanged, details of readmissions removed – 3 lines]

Total under care during the year [unchanged]

Discharged during period [total unchanged, removed subcategories that distinguished discharge from death – 3 lines]

Carried forward to following year [unchanged, repetition of total by family removed – 1 line]

Total days care in institution [unchanged]

[Deleted - Bed Complement]

Figure 3.1 NELW Social Performance Accounts 1865

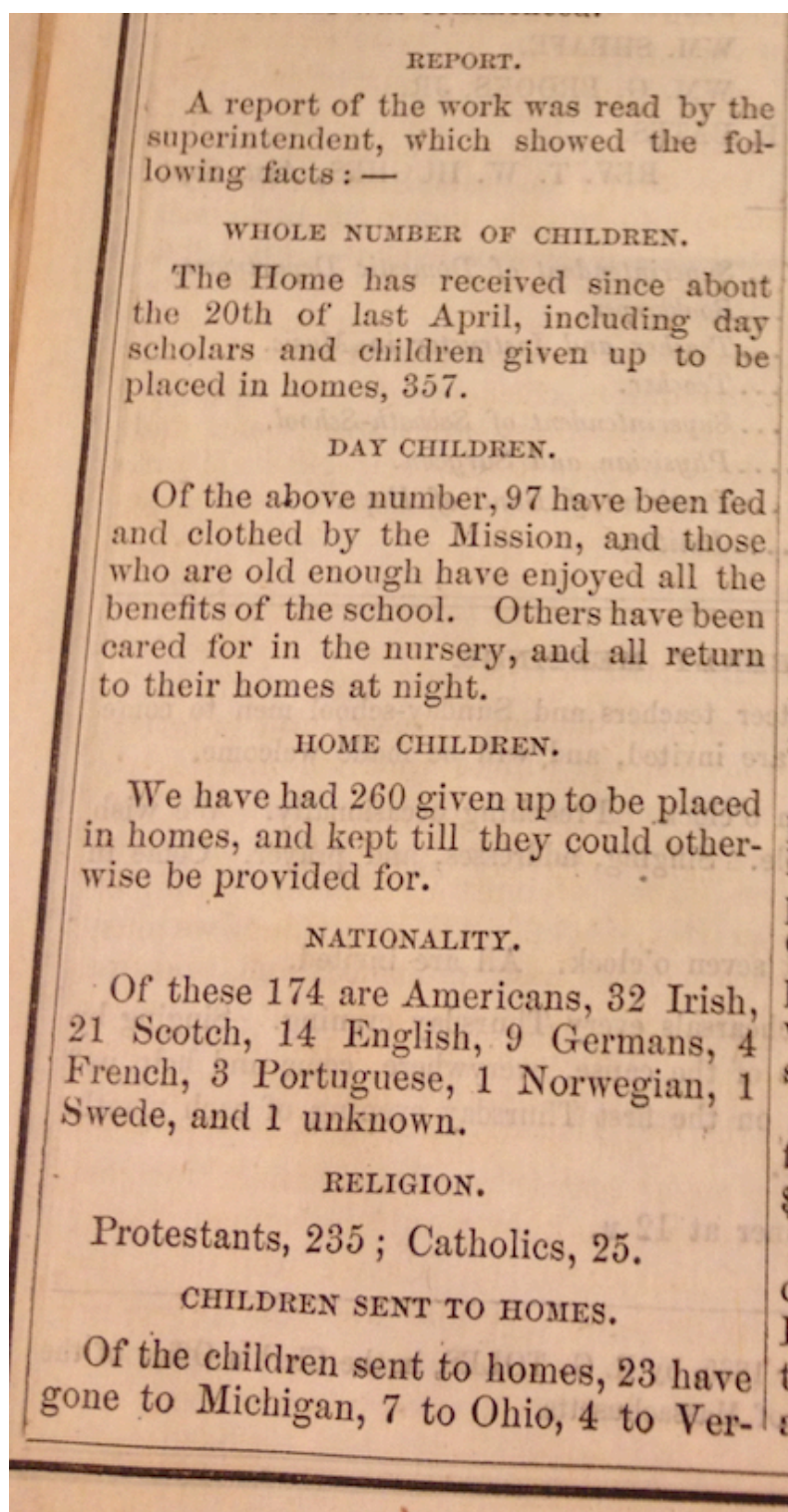


Figure 3.2 NELW Social Performance Accounts 1935

Little Wanderers' Advocate						
STATISTICAL REPORT						
Department of Advice and Assistance — April 1, 1934 to March 31, 1935						
	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
Family problems pending April 1, 1934.....	29	4	20	2	25	80
New applications received.....	347	46	118	42	67	620
Old applications received.....	42	7	25	3	10	87
Recurrent children involved.....	15	2	7	2	0	26
Number of children involved.....	1,030	81	266	63	327	1,767
Family problems pending March 31, 1935.....	27	2	24	3	24	80
<i>Children received:</i>						
For care in foster homes or institutions.....	230	51	13	26	27	347
For protection or supervision in own homes or homes of relatives without financial aid.....	0	11	4	1	0	16
For protection or supervision in own homes or homes of relatives with financial aid.....	0	0	3	0	0	3
Branch cases received.....	24					24
<i>Not accepted:</i>						
Minor service given but no responsibility for care or supervision assumed.....	4	6	111	13	90	224
Care assumed by relatives.....	2	0	16	0	88	106
Care assumed by other agencies or institutions.....	65	3	47	20	46	181
Withdrawn, advised or directed but no further serv- ice given.....	191	8	41	0	0	240
Unwarranted complaints, failure to locate, care be- ing given by other agencies, insufficient evidence, etc.....	0	2	30	0	4	36
Total number of children in whom the Society has been interested during the year.....						2,331
Dominant Case Facts — April 1, 1934 to March 31, 1935						
	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
Death of parent.....	59	9	31	6	3	108
Desertion, divorce or legal separation of parents..	76	9	38	11	6	140
Unemployment, or mother working or desiring employment outside.....	32	1	56	3	12	104
Poor home conditions.....	58	13	39	2	10	122
Mental disorder in family.....	15	0	7	0	1	23
Alcoholism.....	22	0	9	0	0	31
Other illness in family, syphilis, gonorrhea or tuber- culosis.....	66	1	27	2	1	97
Physical problem of child.....	40	0	21	0	21	82
Behavior problem of child.....	102	4	17	8	4	135
Feeble-mindedness.....	14	4	3	2	1	24
Illegitimacy.....	88	14	38	17	13	170
Orthopedic case.....	14	0	1	0	9	24
Step-parent.....	38	0	0	0	0	38



# NEHLW Social Performance Accounts 1935 (continued)

Department of Foster Home Care — April 1, 1934 to March 31, 1935						
	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
In care April 1, 1934 . . . . .	275	83	62	77	67	564
Received during the year . . . . .	254	62	24	27	32	399
Discharged during the year . . . . .	249	40	19	29	27	364
In care March 31, 1935 . . . . .	280	105	67	75	72	599
In Institution L. W. H. . . . .	39					
<i>In Foster Homes under supervision:</i>						
In free family homes (without payment of board) . . . . .	8	6	5	7	11	37
In family boarding homes, our organization or others . . . . .	156	47	20	36	9	268
In family boarding homes, working outside and paying board . . . . .	1	0	0	4	0	5
In family own board . . . . .	7	9	2	7	3	28
In working homes, receiving wages or equivalent . . . . .	2	0	0	0	0	2
With mothers in wage homes . . . . .	2	0	1	0	0	3
Other arrangements . . . . .						
<i>In Other Institutions:</i>						
With board paid by our organization . . . . .	3	6	0	0	0	9
Without board paid by our organization . . . . .	18	2	12	1	21	54
Other arrangements . . . . .	0	5	0	0	0	5
In own homes or homes of relatives with supervision but without financial aid . . . . .	44	29	27	20	28	148
In own homes or homes of relatives with financial aid . . . . .	0	1	0	0	0	1
<i>Children otherwise provided for:</i>						
Adopted children under supervision . . . . .	0	0	0	0	0	0
Children in Receiving Home March 31, 1935 . . . . .						39
Total number of children in actual care during the year . . . . .						963
Corresponding figure year ending March 31, 1935 . . . . .						933

## Department of Foster Homes — April 1, 1934 to April 1, 1935

	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
Pending April 1, 1934 . . . . .	65	24	6	24	23	142
New applications received . . . . .	503	51	95	25	20	694
Old applications renewed . . . . .	57	0	41	3	0	101
Total . . . . .	625	75	142	52	43	937
Pending April 1, 1935 . . . . .	89	19	1	35	22	166
Homes approved during year . . . . .	48	21	12	9	12	102
Disapproved . . . . .	1	13	26	2	5	47
Withdrawn . . . . .	453	22	7	6	4	492
Other action . . . . .	54	0	96	0	0	150

Figure 3.3 NELW Social Performance Accounts 2014

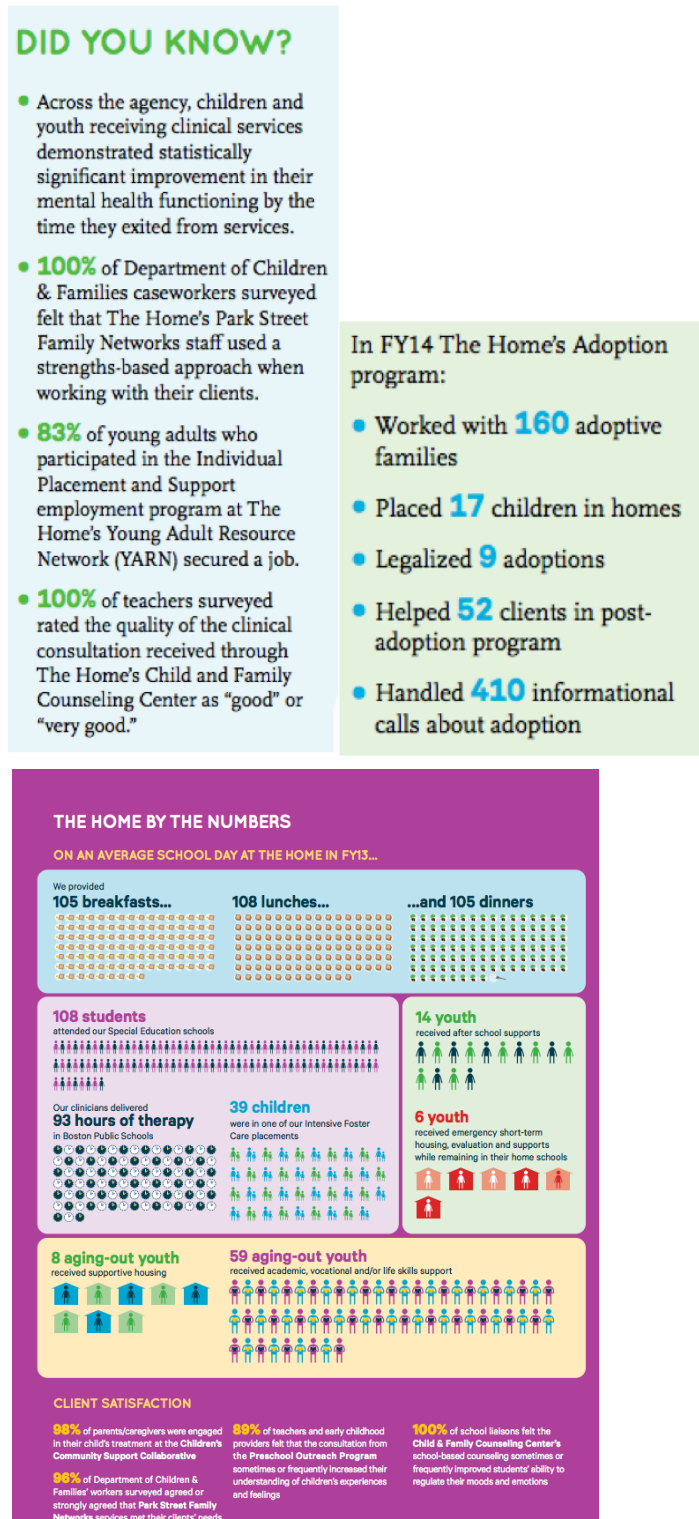
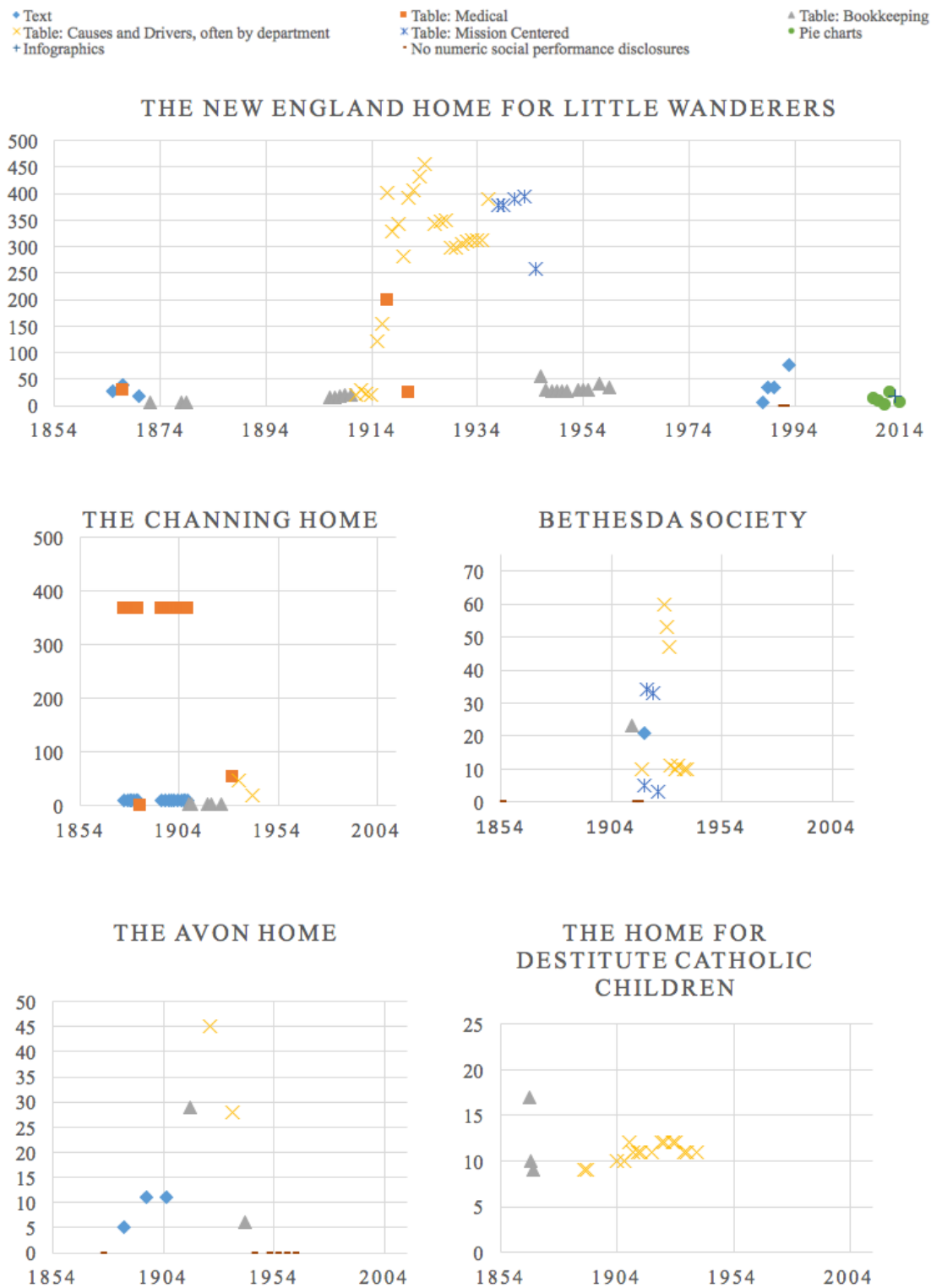


Figure 3.4 Social Performance Disclosures by Quantity and Format



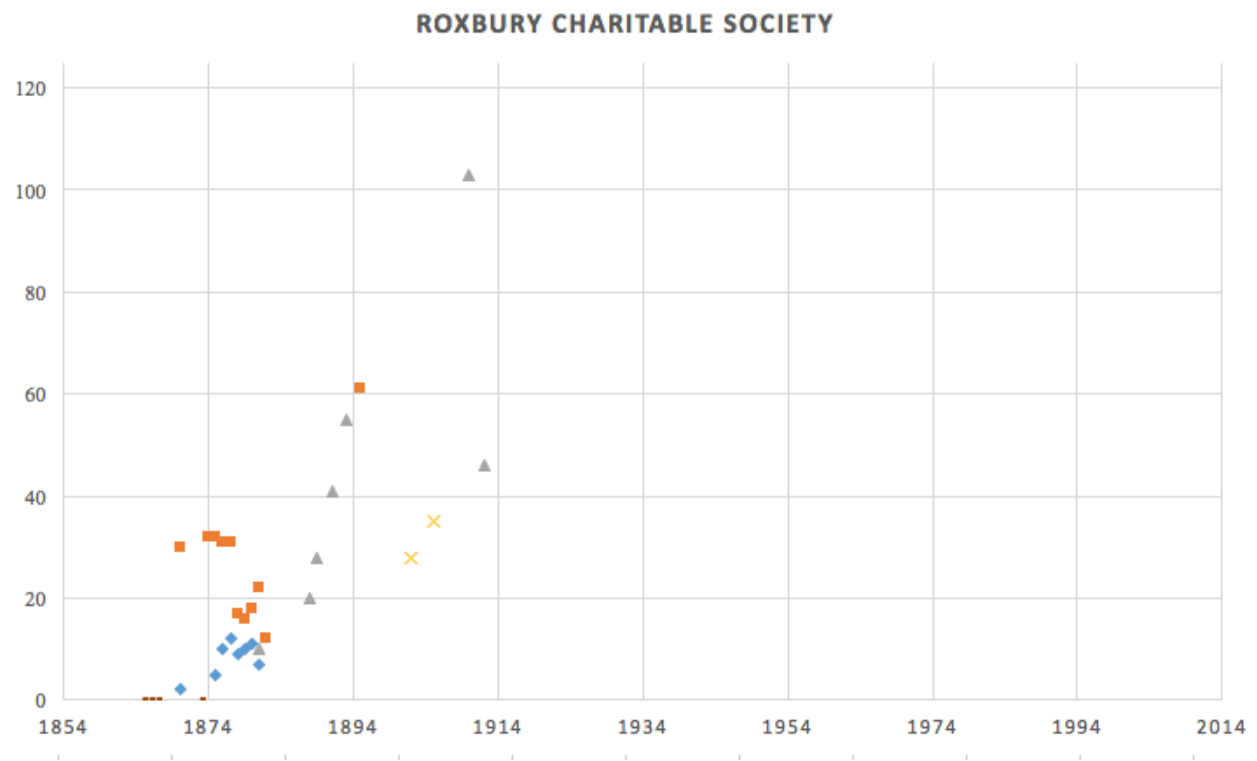


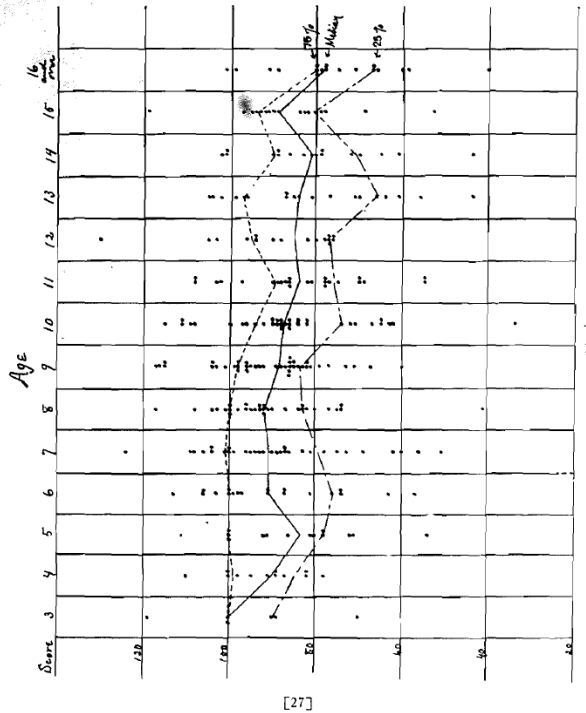


Figure 3.5 NEHLW Statement of Receipts and Expenditures 1872

21	
STATEMENT OF RECEIPTS AND EXPENDITURES FROM MAY 1, 1871, to MAY 1, 1872.	
<i>Receipts.</i>	
Balance on hand May 1, 1871 . . . .	\$477 19
From Executors of estate of Nabby Joy * . .	2,500 00
" " " Wm. B. Dyer, Mil- ford * . . . .	1,000 00
" " " George Howe, Boston * . . . .	1,000 00
" Sale of house in Chelsea, a gift to the Institution * . . . .	2,000 00
" Hopkinton M. E. Sabbath School * . .	6 10
Collections and Donations . . . . .	32,256 88
Total,	<u>\$39,240 17</u>
<i>Expenditures.</i>	
INVESTMENT OF PERMANENT FUND.	
Paid for purchase of house No. 7 Baldwin Place, Boston . . . . .	\$3,500 00
Paid for shing roof of house . . . . .	115 16
	<u>5,615 16</u>
<i>Current Expenses.</i>	
Paid for Table expenses . . . . .	\$6,183 79
" Wardrobe " . . . . .	728 70
" Household " including furniture, bed- ding, carpeting, crockery, etc. . . .	1,083 10
" Printing expenses, including publishing of <i>Little Wanderers' Advocate</i> . . . .	2,695 40
" Travelling expenses, including expense of collecting funds, placing children in homes, visiting, removing and replacing them . . . . .	3,012 63
" Incidental expenses . . . . .	1,139 88
" Repairs and Alterations . . . . .	1,877 68
" Wood, coal, gas and water . . . . .	1,889 57
" Salaries and Wages . . . . .	10,840 26
	<u>\$29,451 01</u>
Total,	35,066 17
Balance on hand,	<u>4,174 00</u>
	<u>\$39,240 17</u>
SAM'L H. WALLEY, <i>Treasurer.</i>	
* Those marked with an asterisk signify for permanent investment.	

Figure 3.6 Graphic Inscriptions NEHLW 1916, 1919

we should expect. As the charts indicate, we have occasionally a subject of unmistakably superior intelligence, and we should be glad to have more such; but in fairness to all concerned we ought to recognize that at the present time we are dealing with a group that is, in the main, selected by the fact of partial dependence, social or economic, from the less intelligent strata of the population.



Another week in which there was no gain was the *week of the storm*. This was in March when it snowed every day and the children were not able to get out, with a resulting loss in appe-

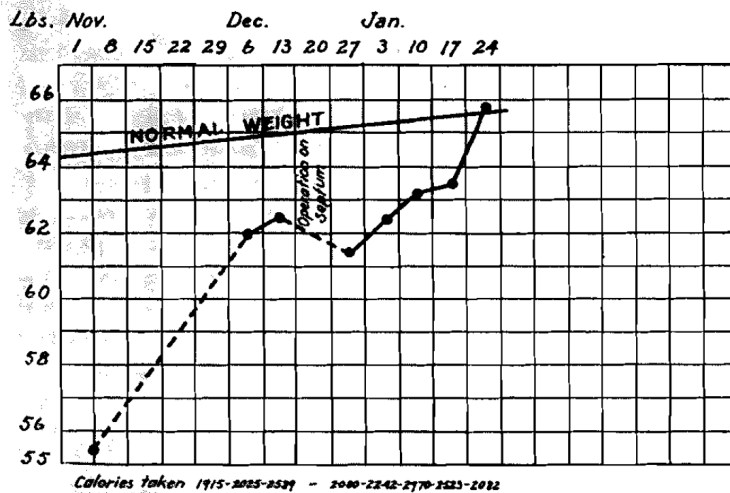




Figure 3.7 Bethesda Society Annual Statistics 1930 and 1931

STATISTICS	
JANUARY 1, 1930—DECEMBER 31, 1930	
Total number of cases during year	100
TABLE I	
JANUARY 1, 1930	
Number in attendance—Orchard Home School	16
“ placed in school homes	21
“ “ private boarding schools	3
“ “ working homes	22
“ “ hospital training for nurses	2
“ supervised in own homes	10
Attending school	5
Working	5
“ otherwise placed	2
Total	76
TABLE II	
DECEMBER 31, 1930	
Number in attendance—Orchard Home School	15
“ placed in school homes	16
“ “ private boarding schools	4
“ “ working homes	18
“ “ hospital training for nurses	4
“ supervised in own homes	11
Attending school	1
Working	10
“ otherwise placed	2
Total	70
TABLE III	
APPLICATIONS DURING THE YEAR	
Mass. Society for Prevention of Cruelty to Children	15
Other private societies	23
Courts	11
Relatives	7
Other Individuals	4
State and City Departments	2
Psychopathic Hospital—Social Service	3
Medical Social Service	4
Schools	2
State Policewoman	1
Total	72
Number of cases accepted during year	24

TABLE IV

## NUMBER OF CASES DISCHARGED DURING YEAR

To parents and relatives . . . . .	10
Committed to State Industrial School . . . . .	6
Of age and self-supporting . . . . .	8
Married . . . . .	1
Died . . . . .	1
Returned to agency referring case . . . . .	6
Total . . . . .	32

TABLE V

Total number of weeks care at Orchard Home School . . . . .	776
Total number of weeks care of placed-out cases . . . . .	2,880
Total number receiving care at Orchard Home School . . . . .	35
Total number receiving placed-out care . . . . .	84
Total number receiving placed-out care only . . . . .	67
Total number receiving care at Orchard Home School only . . . . .	19
Total number of both types of care . . . . .	18



Bethesda Society Annual Statistics 1931

ORCHARD HOME SCHOOL		PLACING DEPARTMENT	
Number in attendance, Jan. 1, 1931	15	Number of new cases received	24
Number in attendance during year	37	Number of old cases re-opened	2
Number of weeks care, fully paying	124	Number of cases closed	22
Number of weeks care, partly paying	284	Number receiving placed out care	76
Number of weeks FREE care	327	Number of weeks of placed out care	2,904
Number of weeks care	735		

Figure 3.8 NEHLW Annual Statistics 1930, 1945, 1946\*, 1947

## NEHLW Annual Statistics 1930 (2 pages)

12]

*Little Wanderers' ADVOCATE*

## STATISTICAL REPORTS

Department of Advice and Assistance — April 1, 1929 to April 1, 1930

	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
Family problems pending April 1, 1929....	31	4	41	6	29	111
New applications.....	403	45	216	56	61	781
Old applications.....	59	9	57	9	5	139
Recurrent.....	17	7	26	10	4	64
Number of children involved.....	1,177	153	340	234	301	2,205
Family problems pending April 1, 1930....	39	4	52	6	39	140
<i>Children received:</i>						
For care in foster homes or institutions....	161	26	13	38	41	279
For protection or supervision in own homes or homes of relatives without financial aid.....	0	0	14	0	10	24
<i>Not accepted:</i>						
Minor service given but no responsibility for care or supervision assumed.....	29	9	63	36	26	163
Care assumed by other agencies or institu- tions.....	170	24	44	25	66	329
Care assumed by relatives.....	10	5	24	6	11	56
Withdrawn, advised or directed but no further service given.....	237	14	102	100	16	469
Unwarranted complaints, failure to locate, care being given by other agencies, in- sufficient evidence, etc.....	6	0	28	5	7	46
Total number of children in whom Society has been interested during year.....						2,806

Dominant Case Facts—April 1, 1929 to April 1, 1930

	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroos- took Co. Branch	Totals
Death of parent.....	75	1	43	13	4	136
Desertion, divorce or legal separation of parents.....	103	15	38	30	11	197
Unemployment or mother desiring employ- ment outside.....	42	1	34	16	1	94
Poor home conditions.....	68	6	40	18	9	141
Mental disorder in family.....	11	1	9	2	1	24
Alcoholism.....	15	2	3	3	1	24
Other illness in family, syphilis, gonorrhea or tuberculosis.....	53	3	18	5	14	93
Physical problem of child.....	71	2	0	0	1	74
Behavior problem of child.....	180	5	29	14	6	234
Feeble-mindedness.....	11	0	7	1	3	22
Illegitimacy.....	73	18	33	23	11	158
Orthopedic case.....	13	2	2	1	0	18

Department of Foster Home Care—April 1, 1929 to April 1, 1930

	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroost- ook Co. Branch	Totals
In care April 1, 1929.....	319	64	54	81	83	601
Received during year.....	205	35	27	41	51	359
Discharged during year.....	226	26	23	35	53	363
In care April 1, 1930.....	298	73	58	87	81	597
<i>In Foster Homes under supervision:</i>						
In free family homes (without payment of board).....	34	7	3	10	11	65
In family boarding homes, organization or others paying board.....	126	41	21	34	18	240
In family boarding homes, working outside and paying own board.....	14	7		5		26
In working homes, receiving wages or equivalent.....	1	3	10	5	7	26
With mothers in wage homes.....			2			2
Other arrangements.....	5			2		7
<i>In other Institutions:</i>						
With board paid by organization.....	9		1	1	5	16
Without payment of board by organization.....	16	2	7	4	8	37
Other arrangements.....	2				1	3
In own homes or homes of relatives with supervision but without financial aid...	56	13	12	26	31	138
Adopted children under supervision.....			2			2
Children in Receiving Home April 1, 1930.....						35
Total number of children in actual care during the year.....						960
Corresponding figure year ending April 1, 1929.....						899

Department of Foster Homes—April 1, 1929 to April 1, 1930

	Central Office	Berk- shire Co. Branch	State of Maine Branch	Fair- field Co. Branch	Aroost- ook Co. Branch	Totals
Pending April 1, 1929.....	55	78	9	21	14	177
New applications.....	474	85	124	37	41	761
Old applications renewed.....	57	24	31	1	2	115
Total.....	586	187	164	59	57	1,053
Pending April 1, 1930.....	52	70	5	9	17	153
Homes approved during year.....	66	34	12	16	17	145
Disapproved.....	14	8	18	4	3	47
Withdrawn.....	379	43	26	17	10	475
Other action.....	75	32	103	13	10	233

Little Wanderers' Advocate					
STATISTICAL REPORT					
April 1, 1944, through March 31, 1945					
PROTECTIVE OR FOSTER CARE OF CHILDREN					
	Central Office	Berkshire County Branch	State of Maine Branch	Aroos- took Co. Branch	Totals
<i>A—Children under protective or foster care:</i>					
1. Carried over from preceding year.....	290	88	76	47	501
2. Taken under care during year.....	413	109	37	25	584
3. Last discharged within this year.....	344	88	31	23	486
4. Discharged from care during year.....	53	15	2	1	71
5. Carried forward to following year.....	16	6	4	1	27
6. Families represented by children reported in Item 5	703	197	113	72	1085
7. Total children.....	417	130	47	20	614
8. Under direct care or supervision of reporting agency	286	67	66	52	471
9. In home of child's parents: Total.....	285	63	64	52	464
10. With maintenance from reporting agency.....	29	0	13	8	50
11. With maintenance from another agency.....	0	0	0	0	0
12. With supplementary aid or service only.....	29	0	13	8	50
13. In home of relatives other than parents:					
14. Total.....	3	0	5	2	10
15. With maintenance from reporting agency.....	1	0	0	0	1
16. With maintenance from another agency.....	0	0	0	0	0
17. With supplementary aid or service only.....	2	0	5	2	9
18. In foster home: Total.....	175	46	36	30	287
19. Free foster home.....	13	3	12	9	37
20. Boarding home.....	155	43	23	19	240
21. Work or wage home.....	7	0	1	2	10
22. In agency's own institution.....	35	13	0	0	48
23. Other institutions.....	40	0	10	12	62
24. Under care or supervision of another agency.....	1	4	2	0	7
25. Elsewhere.....	3	4	0	0	7
<i>C—Children not taken under care:</i>					
26. Receiving advice, information or referral.....	523	89	84	17	713
27. Applications pending at end of year.....	73	14	11	9	107
<i>D—Service to other agency cases active during year:</i>					
28. Reports on closed cases.....	68	9	0	2	79
29. Investigations made for other agencies.....	0	4	6	15	25
<i>E—Unmarried mother cases:</i>					
30. Carried over from preceding year.....	1	2	0	0	3
31. Taken under care during year.....	0	1	0	0	1
32. Total under care during year.....	1	3	0	0	4
33. Discharged from care during year.....	0	3	0	0	3
34. Carried forward to following year.....	1	0	0	0	1
<i>F—Children in foster homes included in sections A and B:</i>					
35. Carried over from preceding year.....	163	64	41	24	292
36. Taken under foster home care during year: Total	206	96	22	21	345
37. Never previously under agency's supervision					
38. in foster home.....	128	69	19	18	234
39. Last under foster home care prior to this year..	38	10	2	1	51
40. Last under foster home care during year.....	40	17	1	2	60
41. Total under foster home care during year.....	369	160	63	45	637
42. Discharged from foster home care during year....	194	114	27	15	350
43. Carried forward to following year.....	175	46	36	30	287
44. Families represented by children reported in					
45. Item 24.....	147	35	32	25	239
46. Days' care provided during year in foster homes					
47. to children reported in Item 22:					
48. Total.....	59,606	20,457	14,592	9,672	104,327
49. a. Free foster home.....	5,922	1,532	3,867	3,588	14,909
50. b. Boarding home.....	51,529	18,646	9,438	5,507	85,120
51. c. Work or wage home.....	2,155	279	1,287	577	4,298



NEHLW Annual Statistics 1945 (continued)

CARE IN OUR INSTITUTION	
<i>A—Children under care:</i>	
1. Carried over from preceding year.....	44
2. Admissions during year: Total.....	415
<i>a.</i> Never previously admitted to institution.....	305
<i>b.</i> Last discharged within this year.....	62
<i>c.</i> Last discharged during year.....	48
3. Total under care during year.....	459
4. Discharges.....	424
<i>a.</i> Discharges.....	424
<i>b.</i> Deaths of infants.....	0
<i>c.</i> Other deaths.....	0
5. Carried forward to following year.....	35
6. Families represented by children reported in Item 5.....	28
<i>B—Days' care in institution to children reported in Item 3.....</i>	13,178
<i>C—Bed Complement.....</i>	50

## STATISTICAL REPORT

for Nine Months, April 1, 1945, to December 31, 1945

	<i>Central Office</i>	<i>Berkshire County Branch</i>	<i>State of Maine Branch</i>	<i>Arroostook County Branch</i>	<i>Totals</i>
<b>FOSTER CARE OF CHILDREN</b>					
Carried over from preceding year . . . . .	286	67	66	52	471
Taken under care during period . . . . .	310	47	30	20	407
Total under care during period . . . . .	596	114	96	72	878
Discharged from care during period . . . . .	315	60	23	25	423
Carried forward to following year . . . . .	281	54	73	47	455
<b>CHILDREN NOT TAKEN UNDER CARE</b>					
Receiving advice, information or referral . . .	450	33	65	12	560
<b>DAYS' CARE PROVIDED IN FOSTER HOMES</b>					
Free foster home . . . . .	6,491	620	3,475	2,811	13,400
Boarding home . . . . .	39,849	10,787	7,216	4,063	61,915
Work or wage home . . . . .	1,412	64	351	673	2,500
Total days' care in foster homes . . . . .	47,752	11,471	11,045	7,547	77,815
<b>CARE IN OUR INSTITUTION</b>					
Carried over from preceding year . . . . .	35				35
Admissions during period . . . . .	322				322
Total under care during period . . . . .	357				357
Discharged during period . . . . .	322				322
Carried forward to following year . . . . .	35				35
Total days' care in institution . . . . .	6,674				6,674

ANNUAL STATISTICS					
January 1, 1947, through December 31, 1947					
	Central Office	Berkshire County Branch	State of Maine Branch	Arundel County Branch	Totals
Children actually in custody January 1, 1947.....	286	56	60	59	461
Children taken into custody during the year.....	386	162	44	27	619
Total children in custody during the year.....	672	218	104	86	1,080
Children discharged during the year.....	345	109	38	35	527
Children actually in custody on December 31, 1947.	327	109	66	51	553
Children given service by Departments of Advice and Assistance, All Offices.....					1,831
Total days' care provided for children away from their own homes (foster homes, schools, institutions, et cetera), All Offices.....					154,841
Total days' care provided during the year at Central Office Study Home.....					11,426

Figure 3.9 Avon Home Annual Statistics 1925, 1935 and 1940

# Avon Home Annual Statistics 1925

14	THE AVON HOME			15
STATISTICAL REPORT FOR 1925				
Number of children in care of Avon Home October 1, 1924.....	98	Number of children on follow-up list Oct. 1, 1925.....	469	
Number of children admitted to care of Avon Home from Oct. 1, 1924, to Oct. 1, 1925.....	56	Under two years of age.....	13	
Number of children readmitted to care of Avon Home from Oct. 1, 1924, to Oct. 1, 1925.....	42	Between two and fifteen.....	367	
Total number of admissions during the year.....	98	Over fifteen.....	90	
Total number of children in care of Avon Home during the year..	196	Number of boys.....	349	
Number of children discharged from care of Avon Home during the year.....	93	Number of girls.....	120	
Number of deaths during the year.....	1	Total number of follow-up visits made during the year.....	2,103	
Number of children in care of Avon Home Oct. 1, 1925.....	102	Playground enrollment Oct. 1, 1925.....	247	
In Avon Home boarding homes.....	70	Number of mothers for whom convalescent or hospital care has been provided during the year.....	10	
In free homes.....	3	Number of children for whom hospital care has been provided during the year.....	12	
In wage-earning homes.....	5	Number of children for whom special medical care has been provided during the year.....	48	
Entirely self-supporting.....	3	Number of children given special care in boarding homes.....	39	
In Wrentham School for Feeble-minded.....	2	With tubercular tendency.....	11	
In Waverley School for Feeble-minded.....	3	With malnutrition.....	16	
In Massachusetts Hospital School.....	2	Heart trouble, Chorea and other causes.....	12	
In Orchard Home School.....	1	Weeks of care given in homes and board paid.....	4,200	
In Perkins Institute for the Blind.....	1	Weeks of care given children otherwise placed.....	1,238	
In The Farm and Trades School.....	3			
In The Plummer Farm School.....	2			
In Hospital Training Schools.....	2			
In other Special Schools.....	3			
On Trial for Adoption.....	2			
Number of families for whom application was made from Oct. 1, 1924, to Oct. 1, 1925.....	246			
Number of children for whom application was made from Oct. 1, 1924, to Oct. 1, 1925.....	367			
Number of families from whom children were admitted to the care of Avon Home.....	63			
Number of families advised and planned with during the year....	624			
Number of families referred to other societies during the year....	49			
Number of families on follow-up list Oct. 1, 1925.....	278			



SUMMER DAYS IN THE COUNTRY



10	THE AVON HOME	
STATISTICS OF WORK		
For the year ending September 30, 1935		
	<i>Families</i>	<i>Children</i>
SERVICE RENDERED . . . . .	269	392
CHILD PLACING DIVISION		
DEPARTMENT OF ADVICE AND ASSISTANCE		
Total Number of applications . . .	108	147
Advised or otherwise assisted . . .	72	99
Admitted to Foster Home Care . . .	32	42
Pending September 30, 1935 . . . .	4	6
DEPARTMENT OF FOSTER HOME CARE		
Total number served during fiscal year.	55	91
Under supervision September 30, 1934	26	49
Accepted for supervision	29	42
Discharged from care	21	28
Under supervision September 30, 1935	34	63
In Foster homes . . . . .	21	
" own homes or with		
relatives . . . . .	32	
" free or wage homes. . . .	7	
Otherwise placed . . . . .	3	
COMMUNITY CENTRE		
Total number of registrations during fiscal		
year . . . . .	104	162
INFANTILE (PHYSIOTHERAPY) CLINIC		
Total number attending during fiscal year	34	34

Report of Service	
December 31, 1939 – December 31, 1940	
TOTAL CHILDREN SERVED	484
CHILD PLACING DEPARTMENT	256
Department of Advice and Assistance	194
Department of Foster Homes	126
COMMUNITY CENTER	214
INFANTILE PARALYSIS CLINIC	14

Figure 3.10 Channing Home Annual Statistics 1934 and 1941

Channing Home Annual Statistics 1934 (includes 1932-1934) - 2 pages

9

TABLE I

YEAR	In Home December 31st	New Admissions	Re-admissions	Total Admissions	Total Discharges	To Sanatoria	Home	Hospital for Surgery for Observation	Dead	Improved	Unimproved	Total Hospital Days
1932	23	40	11	51	52	19	20	11	12	41	9	8146
1933	24	37	18	55	54	6	23	22	12	49	12	8398
1934	27	35	16	51	48	10	20	16	12	40	6	9301
Total		112	45	157	154	35	63	49	7	130	17	25845

TABLE II

PAYMENTS BY PATIENTS

YEAR	Full Pay	Part Pay	Free
1932	32	12	7
1933	15	36	4
1934	11	30	10
Total	58	78	21

TABLE III

ARTIFICIAL PNEUMOTHORAX

YEAR	Total Cases	Total Treatments	Initials	Reliefs	Relat. Cases	Successful Initials	Immediate Failures	Later Failures	Pneumothorax	Chloroform	Paracentesis
1932	15	116	10	106	0	5	5	0	0	0	4
1933	22	328	16	312	3	9	5	5	5	5	17
1934	27	444	20	424	4	10	7	3	0	0	14
Total	64	888	46	842	7	24	17	5	3	2	33



TABLE IV  
SURGICAL COLLAPSE

	<i>Phrenicectomy</i>	<i>Thoracoplasty</i>
1932 . . . . .	4	3
1933 . . . . .	7	7
1934 . . . . .	6	4
Total . . . . .	17	14

TABLE V  
LABORATORY STUDIES

	1932	1933	1934	Total
Sputum . . . . .	120	201	90	411
Urine . . . . .	29	45	46	120
Wassermann Test . . . . .	7	29	48	84
White Cell & Differential Count . . . . .	21	438	437	896
Sedimentation Rate . . . . .	24	355	425	804
Red Cell Count . . . . .	48	20	30	98
Chest Fluid . . . . .	2	17	14	33

TABLE VI  
SPECIAL TREATMENTS AND EXAMINATIONS

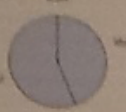
	1932	1933	1934	Total
Heliotherapy . . . . .	190	137	286	613
Bronchoscopy . . . . .	2	0	0	2
Appendectomy . . . . .	1	2	0	3
Tonsillectomy . . . . .	1	2	3	6
Hemorrhoidectomy . . . . .	0	1	1	2
Mastoidectomy . . . . .	0	0	1	1
Nose & Throat Examinations . . . . .	8	6	12	26
Eye Examinations . . . . .	6	5	8	19
X-Ray . . . . .				
Films . . . . .	177	244	215	636
Fluoroscopies . . . . .	6	3	86	95



A BRIEF REPORT OF WORK DONE DURING THE YEARS 1938 TO 1941 INCLUSIVE	
Patients in the Home, January 1, 1938 .....	23
Patients admitted .....	113
Patients readmitted (covering patients transferred to other hospitals for surgery and observation) .....	88
Patients discharged .....	195
Deaths .....	5
Patients in the Home, December 31, 1941 .....	24
Patient days .....	36,847
Average patient stay .....	326 days
Percentage of occupancy .....	94.24
Patient cost per day .....	\$2.75
Miscellaneous Classification	
Chest surgery (miscellaneous cases) .....	58
Pneumothorax treatments .....	3,033
Laboratory examinations .....	6,136
Consultations and examinations .....	158
Heliotherapy treatments .....	292
Blood transfusions .....	6
X-rays .....	95
Fluoroscopic examinations .....	1.44
Autopsies .....	

### Statistics on Children and Families in Our Care

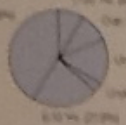
Children and families entering care:	
Residential and Day Treatment Department	86
Community Services Department	<b>357</b>
<b>Total:</b>	<b>443</b>



**Sex**  
Female (66%)    Male (34%)

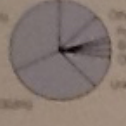
Children and families leaving care:	
Residential and Day Treatment Department	83
Community Services Department	<b>275</b>
<b>Total:</b>	<b>358</b>



**Age**  
Under 6 yrs (13%)  
6-12 yrs (27%)  
Adolescents (36%)  
Over 13 yrs (24%)

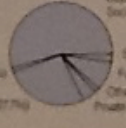
Children and families referred:	
Residential and Day Treatment Department	459
Community Services Department	<b>484</b>
<b>Total:</b>	<b>943</b>



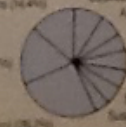
**Ethnicity**  
White (52.7%)  
Black (16.8%)  
Other Hispanic (17%)  
Portuguese (17%)  
B. race (3.7%)  
Other (2.7%)  
Unknown (10.7%)

Children and families served:	
Residential and Day Treatment Department	194
Community Services Department adoptions: 16 adoption searches: 90 foster care placements: 23	<b>541</b>
<b>Total Served:</b>	<b>735</b>



**Referral Sources**  
Dept. of Social Services (54.3%)  
Self (7.5%)  
Former Client (69%)  
Other Unknown (2.2%)  
Private Agency (4.3%)  
School (27.7%)  
Dep. of Mental Health,  
Dep. of Youth Services (7.7%)

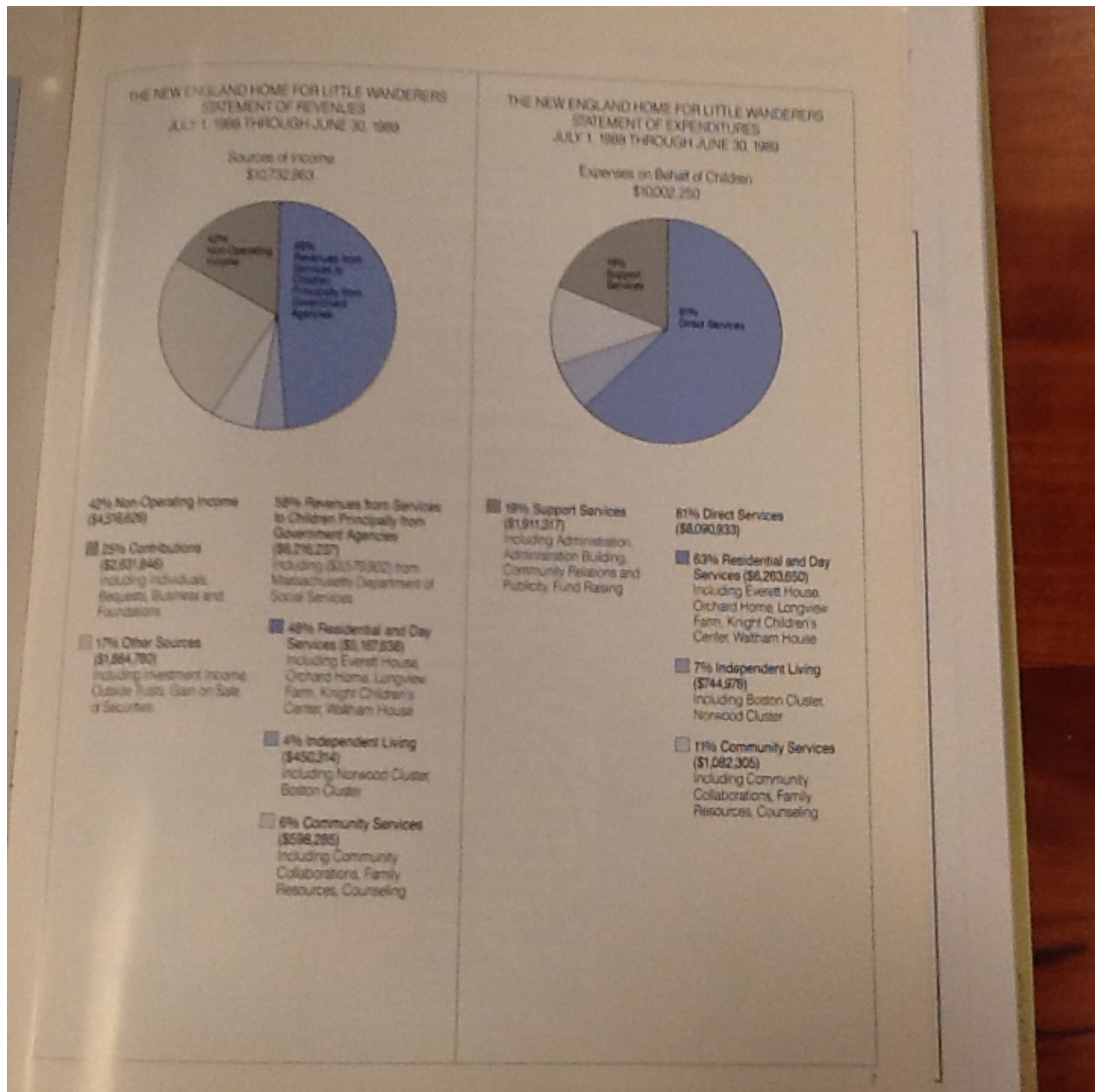
**Reasons for Referrals**  
Family Relations (14.4%)  
Decision (8.7%)  
Anxiety (6.9%)  
Adoption Search (5.9%)  
Suspected Sexual Abuse (5.7%)  
Homicide/Suicide (5.5%)  
School/Awareness Disability Problem (4.9%)  
Suspended Physical Abuse (4.9%)  
Intake Control (26.7%)

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### Communities Served — 1989

Akron	Middle
Anchorage	Mission Hill
Ashland	Natick
Bellingham	New Bedford
Bay City	Peweeville
Dorchester	Roxbury
Hingham	Salem
Lynn	South Boston
Malden	Taunton
Mattapan	Wareham
Medford	Weymouth
Milton	Winthrop
	Yarmouth

Figure 3.12 NEHLW Financial Accounts, 1989



#### 4. Mattering Difference

“Mattering is differentiating and which differences come to matter, matter is the iterative production of different differences” (Barad, 2007, p. 137).

A case competition in which six teams of social impact analysts produced reports to stakeholders from the same set of performance measures provides insight into why inscriptions materialize differently. Each report followed well-established methods for organizing and presenting performance information and each appears to be a neutral account of the charity’s results, however, the reports include and exclude different measures and present the information in different forms that, as an assembly, point to different conclusions about the performance of the charity, from effective to ineffective.

More than simply subjectivity or differences in professional judgement, these six reports demonstrate the causal (but not determinant) performativity of devices, as material-discursive entanglements, to differently render inscriptions material. Materiality is theorized as a performative act (Edgley, 2014), a process of ongoing becoming (Barad, 2007) produced through interactions of, among other things, the entangled matter and meaning of inscriptions already materialized into the performance measurement system, and the entangled matter and meaning of templates used by experts to make sense of the performance (Chapter 2). The inscriptions in the public-facing reports cite prior inscriptions and prior arrangements, but not with perfect fidelity (Butler, 1993) enacting new materializations. The different materializations in the six reports each can be traced to earlier citations and interactions. The task of this chapter is to illuminate the interactions that enact materiality differently.

The chapter is motivated to understand the meaning-making that occurs as a large set of performance measurement data are mobilized, summarized and arranged into a report for external users, particularly in contexts without affirmative disclosure requirements. The accounting concept materiality is being drawn into domains beyond the financial statements, such as risk and environmental, social, governance and impact (ESGI) performance (c.f. Edgley *et al.*, 2015; Eccles & Krzus, 2015; Messier *et*

*al.*, 2015) as a principal-informed approach to determine what ought to be disclosed in the absence of affirmative categories and indicators of performance. In these new domains, materiality is not simply the omission or misstatement of specific numbers in relation to affirmative disclosures (assets, liabilities, income, expense, etc.), but also the omissions and inclusions of whole categories of information (labour relations, product safety, supply chain oversight, etc.) that may have entity-specific relevance, namely materiality.

That some categories of information are material only at the entity-level requires scholars to reconsider their theoretical approaches to ESGI and charity disclosures. Typically, these have been conceptualized as strategic voluntary disclosures. Scholars infer that organizations voluntarily disclose social performance information to achieve legitimacy, accountability or reduced cost of capital (Heitzman *et al.*, 2010; Guthrie & Parker, 1989). But if these categories are material in an accounting sense — and a range of accounting actors asserts they are — then ESGI and charity disclosures are no longer voluntary; they are required, by definition and by law (see Lo, 2010; Heitzman *et al.*, 2010). Too little research has theorized the materiality of non-financial items (Messier *et al.*, 2005) and given the pace at which ESGI disclosures are evolving, and how differently organizations are disclosing, there is urgent need for scholars to examine how inscriptions come to differently materialize and meaning-making consequences of different materialization.

This study examines the different materializations of social performance data. Six reports were created in a case-competition organized by the Social Impact Analysts Association (SIAA). Two leading social impact measurement organizations — one in the ESGI field, the other in the charity reporting field — each put forward a team; two teams were from reputable but less known organizations and a top-tier MBA program entered two teams. Participants were provided data from Our House's performance measurement system (a charitable social enterprise that provides stable affordable housing to people

living with mental health, addiction and poverty; name changed) and asked to “create a report to inform stakeholders about the performance of the charity.”

The reports produced were analyzed using the diffractive reading (Barad, 2007; Haraway, 1997) method described in chapter 3, in which inscriptions in an accounting artifact are understood to be the traces of interactions, particularly those of prior inscriptions (namely, the data from Our House), templates and methods used and expertise. The social performance disclosures of a charity are a useful context for the study of materiality because i) there are no agreed affirmative disclosure standards in this field, ii) the materiality of information of a charity is most logically considered in relation to social performance (not financial performance) avoiding the ambiguity that exists in the ESGI world between social information that is material to financial performance and social information that is material to social performance, and iii) because the non-financial context invites a more generalizable and interesting understanding of materiality. This study examines the concept of materiality in a domain where practice-based answers (e.g., a percentage of an income) to what is material don't easily apply, thereby demanding a more abstracted answer that is able to attend to both the new context (of social performance) and the familiar one (of finance).

The study shows that even working with the same measurements of social performance, the different assemblages of inscriptions in external-facing reports convey very different meanings about that performance. In the inclusions and exclusions and arrangements of inscriptions are traces of the different interactions with material-discursive devices that enacted particular materializations. The formats of the prior inscriptions differently asserted mattering. These interacted with the unpopulated arrangements required by devices/templates such that different categories of information were elevated over other categories, and interaction with prior inscriptions to mobilize them differently as categories of evidence. Although each report is presented using well-established approaches, the interactions differently construct an entity-specific meaning of performance that is concordant, but not fully conformed, with any single prior notion of performance. For reasons that can be traced to performative enactments of prior

materializations, every report has exclusions that violate representational faithfulness and that exceed common auditing thresholds.

The study makes several contributions to the literature. The first is to theoretically elaborate and empirically demonstrate the interactions between devices and accounting inscriptions in the production of inscriptions in an external-facing report. Although it is intuitive that different devices would enact different matterings, the interactions with inscriptions and the entanglements of discourse within the materiality of the device produce some surprising and counter-intuitive results. The second is to theoretically elaborate and demonstrate the effect of the devices on value and valuations. The discursive entanglements of material devices enacted an assessment of worth on outcomes such as wellbeing of the poor and manifested that worth as inclusions and exclusions in the final report such that the charity appeared effective or ineffective based on the set of outcomes the that device mattered. Finally, and related to the above two points, the study calls into question the value of one correct approach to materiality, which must necessarily be one view of what “good” performance (thus an entanglement of measured values and moral values) and a view on which user group matters more (another entanglement of measured values and moral values). An effective materiality guidance must include the multiplicity of performance constructs, namely performance as achievement of management’s intended objectives, performance as responsiveness to stakeholder needs, and performance as accomplishments and cost efficiency relative to other similar organizations.

The rest of the chapter proceeds as follows: I present my theoretical framing focused on inclusions and exclusions as related to the interactions that performatively produce materiality. I then describe my method, followed by results, and discussion and conclusion.

### Why inscriptions materialize differently

Young (2003) described the standard-setting process as an “exercise in sense-making, which constructs (at least temporarily) accounting facts by including and excluding particular matters” (p. 621).



She elaborates that in articulating the parameters of the standard, “importance and relevance are assigned to some matters and objects; and through exclusions, immateriality and insignificance are ascribed to others” (Young, 2003, p. 621). In the case of charity social performance reporting, there is no standard setter. In charity social performance reporting, the sense-making that Young describes has been done in the articulation of performance *measurement* approaches and is done in the moments of assembling of performance measurement data into a report for external stakeholders. Studying these as a microcosm of the materiality chain (chapter 2), and as applied to the same performance measurement data, gives insight into the practices of *doing* materiality. Importantly, related to the study of agentive objects, the study makes visible the ways in which materiality judgement “could be otherwise” (Woolgar, 2014).

There are multitudes of overlapping charity performance measurement approaches (Hall, 2012; Polonsky & Grau, 2011; Maas & Liket, 2011) that govern how social activities, and ensuing results, are measured and recorded in the charity’s internal performance management systems. These approaches are materialized in particular devices (Latour, 1987, Barman, 2015) that are generic templates (Qu & Cooper, 2011) already entangled with particular meaning through the included and excluded matters and in their visual arrangement (Busco & Quottrone, 2015). The devices enact certain evaluative judgement by “standardizing, simplifying, and quantifying assessment information” based on the “expertise of a small number of legitimized authorities” (Orlikowski & Scott, 2014, p. 868). They performatively enact their own entanglements into the entity-specific artifacts where the performance measurement approaches are applied.

In the charitable world, particularly because it is without the institutional infrastructure to enforce consistent application of the template (as standard setters, professional designations, auditors and legislated reporting obligations do for financial accounting templates), the devices iterate over time and with each application as they interact with other material-discursive arrangements. These iterations are re-articulations, through inclusions, exclusions and arrangements of what is material, in the accounting sense, but also in the sense implied by the new materialism: they are “the very meaning of what counts as



valued and valuable body in the world” (Butler, 1993, p. 22). As such neither the device nor the specific material-discursive arrangements of a local application are determinant in the assemblages of inscriptions that constitute the public-facing report. It is the interactions that enact a particular materialization. The iterations leave a “citational chain” (Butler, 1993, p. 22) that are traces of interactions. Accounting inscriptions are the tree-rings that tell the history of how inscriptions materialize differently.

### **Templates**

Devices are inscriptions or sets of inscriptions that provide a visual display (Latour, 1989, p. 68). Templates are devices that are frameworks with “generic descriptions with universal categories that can be revised to fit any organizational setting” (Qu & Cooper, 2011, p. 358). Performance measurement methods for charities (and other social-purpose initiatives) are devices that help to articulate how a series of activities will achieve the desired change, enable human participants to form shared mental models, delineate boundaries of the work and overall make the project meaningful and sensible (Selsky & Parker, 2011, p. 24).

By far the most widely diffused performance measurement approach is the logical model (see figure 4.1), and its close iterations, the logical framework, results model and theory of change (Hall, 2012; Martinez & Cooper, 2012). To implement this approach, a charity articulates its mission and vision, outlines a series of activities it will undertake to achieve the mission and the resources required to do so, then budgets a volume of each activity (outputs) and specifies the expected results of the activities (outcomes). Each output and outcome is associated with “objective” and “measurable” indicators to affirm progress. Measuring the performance of the charity consists of the collection of data for each indicator (Hall, 2012). The inclusions and exclusions in the logic model template privilege intended effects and exclude all unintended ones (Hall, 2012). Thus, performance is understood as achievement of management’s objectives.

The logic model's focus on change places an emphasis on the delta between before and after. Efforts expended that do not result in change are given value only in juxtaposition to an imagined world in which things would have gotten worse without the effort. In a training document on the logic model, a family vacation "maintains" family cohesion, thus avoids family conflict (Kellogg Foundation Logic Model Development Guide pp. 3,4<sup>46</sup>). Real-life examples of effort expended to keep things the same, such as continuing to provide high-quality education (without increases in pupils or results), delivering hospice care, and support for people living with long-term disabilities, are awkwardly recognized in the logic model, not in reference to the value of education or human dignity itself, but as imagined gains to quality and dignity if education or care had not been provided in earlier periods.

The spatial arrangement of the logic model is what defines it (Martinez & Cooper, 2012). Its materiality is entangled with a particular discourse of social performance and notion of social "good." The relations of data on a page are intended to articulate causal relationships between mission and activities, inputs and volume of activities, and activities — at a given volume — and outcomes (see, for example, Kellogg Foundation Logic Model Development Guide, and The World Bank, Guidance Note on Results and M&E<sup>47</sup>). Each of the items (inputs, activities, outputs, outcomes) are listed in columns ordered from left to right to communicate a temporal relationship and a causal one (Martinez & Cooper, 2012). Visually the model implies a linear, mechanical view of social change in which humans are transformed, with almost redemptive undertones: once processed, the change is complete and social good has been done. This view, entangled in the format, will performatively assert certain matterings of particular inscriptions when applied to a specific entity. In an accounting sense, the logic model is an assertion of

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<sup>46</sup> Available at: <https://www.wkkf.org/resource-directory/resource/2006/02/wk-kellogg-foundation-logic-model-development-guide>

<sup>47</sup> Available at: [http://siteresources.worldbank.org/PROJECTS/Resources/40940-1365611011935/Guidance\\_Note\\_Results\\_and\\_M&E.pdf](http://siteresources.worldbank.org/PROJECTS/Resources/40940-1365611011935/Guidance_Note_Results_and_M&E.pdf)

the elements that are relevant to all entities, and a principles-based process for determining the categories that have entity-specific relevance.

The Social Return on Investment (SROI) is another well-recognized method. It is a value-for-money performance-measurement approach based on the logic model, but modified to mimic for-profit investment analysis tools of discounted cash flow and net present value analysis (Hall, 2012, p. 319). The logic model is cited, but not with perfect fidelity. SROI extends the logic model by linking each measurable indicator to a financial proxy (e.g., cost of hospital stays prevented, jail stays deterred, increased earnings as a result of training) by which it is multiplied in order to express the “social value” of the outcomes in monetary terms. The social value is then discounted to calculate a current social value of outcomes, which is expressed relative to inputs to calculate a social return on investment (Lingane & Olsen, 2004). Although the logic model is the basis, through SROI a chronological model of causality is transformed with the addition of a few columns (Martinez & Cooper, 2012, p. 10) into a calculative device (Callon, 1998).

The SROI, like other approaches, is entangled in a material form — specifically, a series of Excel spreadsheets that can be acquired from The SROI Network — in which particular inclusions and exclusions are arranged in a particular way. The logic model’s linear and change-focused entanglements are carried into the SROI, however, the notion of performance changes. The manipulation of outcome data into monetary values and then into a ratio, citing the for-profit investment world, recasts performance not as the achievement of management’s expressed goals but as the most cost-effective route to change. Performance is the financial efficiency of total change. This process erases from performance the specific changes (reduced homelessness, increased wellbeing, less highway congestion, fewer missed days of work) and leaves all changes expressed as a ratio of financial inputs to social value created, as expressed in monetary terms.

The SROI spreadsheet is a device that enacts a particular expertise (Tan, 2014). To learn how to do an SROI analysis is to learn how to populate numbers into the SROI spreadsheet and how to interpret the outputs of calculative cells that have been saved into the Excel file. A trainee is certified as an SROI practitioner once he or she can replicate and reiterate the practices of those who first designed the spreadsheet. As a certified practitioner, the trainee continues to use the spreadsheet, populating cells and interpreting calculative numbers. Thus, the spreadsheet itself articulates the processes and objectives of analysis.

Citing another performance measurement approach, the SROI method explicitly states that the categories that populate the logic models ought to be informed by stakeholder perspectives (Nicholls, Lawlor, Neitzert & Godspeed, 2012). The SROI Excel template is organized with blank fields in which to write in key stakeholders (e.g., direct beneficiary, families of beneficiaries, wider community). The term stakeholder cites CSR (Laplume, Sonpar & Litz, 2008; Agle, Mitchell & Sonnenfeld, 1999) further entangling SROI with worlds of business and finance (compared to, say, participatory models, with origins in international aid, which give primacy to beneficiary voice (Jackson & Kassam, 1998)). Stakeholder approaches invite stakeholders to be “active in defining the entity itself” and privilege their voice in the selection of categories and measures that will comprise the account (Gray *et al.*, 1997; Dey, 2007). Stakeholder approaches are considered better equipped than top-down approaches to capture unintended consequences, enable learning of causal mechanisms and reflect the lived experience of beneficiaries of a program (Jackson & Kassam, 1998). However, in the SROI template stakeholder experience is entered as an indicator and then expressed as a monetary value that represents the value of the change *to the stakeholder*. In doing so, the device enacts a calculative space associated with dispassionate exchange, erasing the affective elements of the stakeholder experience (Keevers, *et al.*, 2012; Hwang & Powell, 2009). The financial proxy functions as a multiplier that gives more weight to those stakeholders that are able to derive/experience more economic/monetary value from the change created. Similar to the logic model, the SROI template identifies elements for all organizations as well as

the processes for identifying entity-specific categories. Materiality is created by the inclusions and exclusions of the template, but also the multiplication of values (monetary proxies) on counted outputs, altering the relative magnitude of different results.

Balanced Scorecard and Dashboard (*tableau de board*) approaches are a third category common in social performance measurement (Poister, 2003; Qu & Cooper, 2011). The balanced scorecard, like the above two, is a template with general categories that are populated with the specific entity-level inscriptions; arrangements of inscriptions in the template are intended to communicate causal strategic relationships (Kaplan, 2001; Free & Qu, 2011). Applied to charities, beneficiaries are made analogous to customers (Poister, 2003; Kaplan, 2001). The *tableau de board* is a template only by analogy to a cockpit or car dashboard (Bessire & Baker, 2005; Poister, 2003, p. 135); as used by charities, there are not categories to be populated. Rather, key performance indicators are arranged, with similar ideas grouped, but with no causal relationships implied. The *tableau de board* /dashboard is often used to represent a large number of key social performance indicators. Without a material form, the dashboard is thus unencumbered with a linear view of progress or causal relationships or any particular notion of performance.

### **Prior inscriptions**

The templated-device is not destiny in materialization. In fact, their persistent popularity is attributable to their ready adaptability and mutability (Martinez & Cooper, 2012; Qu & Cooper, 2011). Likewise, inscriptions do not assemble naturally and obviously into templates (Chua, 1995; Chenhall *et al.*, 2013). The device interacts with the performance measurement inscriptions. The inscriptions themselves are material-discursive entanglements. If the meaning and material form of the inscription does not fit that of the template, the inscription must be excluded (de-mattered for having a meaning, devalued by the template) or the template must be modified to accommodate the inscriptions (the inscription performatively enacts its mattering into the template). The production of a public-facing

artifact will materialize differently as templates interact with inscriptions citing, without perfect fidelity to the entanglements of both the inscription and the device.

### **Other material discursive arrangements**

Inscriptions and templates will also interact with a whole host of other material discursive arrangements that constitute a specific apparatus of production. Reports are created in a space, with technology. Particular to this study, two of the groups created reports on laptops in a breakout room on a university campus. Other groups created reports in the conference rooms of their professional offices where they had access to their own desks, past reports (which could serve as templates), word processing tools pre-loaded with corporate templates of font and colour schemes. These material-discursive assemblages will affect which inscriptions are given materiality and the arrangements the inscriptions take.

Rarely can the roles of templates and prior inscriptions in asserting particular materializations be studied because rarely are two or more devices brought to bear on the exact same set of prior inscriptions. Moreover, literature on materiality pertaining to the specific inclusions and exclusions in a disclosure tend to focus on the decision-making of the statement preparer, or auditor, or user, and not on the performative enactments of the material-discursive template and inscriptions that are part of doing materiality. This paper seeks to make visible some ways that material-discursive devices interact with prior inscriptions to enact different mattering in an external-facing report.

### **Method**

The study was set up as a case competition through the Social Impact Analyst Association (SIAA). Six teams signed up in pre-existing groups.<sup>48</sup> By good fortune they included two of the leading

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<sup>48</sup> Seven teams signed up but one eliminated itself from the competition.

organizations in the field as well as other well-reputed organizations. The contest judging criteria were non-prescriptive (i. a coherent account of performance, ii. supported with evidence, that was iii. clear and concise). Participants were told that participation in the research was optional and that the judges were not involved in the research process. All teams agreed to have their reports examined for the purpose of this research. It is their reports, and more specifically the differences between them, that form the empirical sources in this study. The research design is similar to Lingane & Olsen's (2004) study of business plans submitted to the Global Social Venture Competition.

The method, while unique in its specifics, falls within a class of methods that scholars have called "contrived observation" (Webb et al., 1966 – cited in Salancik, 1979), "field stimulation" (Salancik, 1979) or "observation with intervention" (Shaughnessy et al., 2012). In these methods, the researcher "intervenes in order to cause an event to occur or to 'set up' a situation so that events can be more easily recorded" (Shaughnessy et al., 2012, p. 122). Its main advantage is a "middle ground between the passive non-intervention of naturalistic observation and the systematic control and manipulation of independent variables in laboratory experiments. This compromise allows researchers to make observations in more natural settings than the laboratory" (Shaughnessy et al., 2012, p. 122). See Figure 4.2.

What I "observe" are the produced reports. To a large degree, these were created in a natural setting. Most of the participants do this work as part of their daily lives; therefore, the task was natural. Participants registered as groups of colleagues. The groups were natural. Each group prepared their report in their own office space. The venue was natural. The performance data was realistic in its breadth, depth and quality. Pre-formed groups in their natural setting doing a familiar task have been used to study phenomena that are infrequent such that it is difficult to be present in the moments of interest (Bloor, Frankland, Thomas & Robson, 2000, p. 22). In this situation, the material-practices that constitute mattering are likely to carry intact into the performance reports created.

The advantage of the study is the direct insight given to different materializations based on the same prior inscriptions. Most prior studies used single case studies (Chua, 1995; Qu & Cooper, 201; Chenhall *et al.*, 2013) in which it is difficult to know how the materialization could have been otherwise. Alternative materializations are always hypothetical. My design allowed greater certainty that the phenomena of interest (differences and exclusions) had been observed. As is the trade-off of contrived observation, some artifice is introduced to access the phenomena of interest (in this case the ability to see differences in materializations). The performance information was already collected and organized before any participants saw it. This made the task of report writing feasible in five hours (professionals consulted during research design felt five hours would be long enough to prepare a report and short enough to be feasible given busy schedules), but will have had the consequence of reducing variation between the reports relative to what would have occurred had each group been able to directly interact with the charity. The time constraint was also unrealistic but necessary to engage professionals as participants (although one group commented that a six-person team working for five hours is approximately equivalent to the total labour hours that would be spent to create a report for a client). The length of the reports created are not dissimilar from Our House's actual reports to stakeholders, or from other charity reports; it seems likely five hours was sufficient.

Reports were analyzed using diffractive reading (Barad, 2007; Haraway, 1997). The inscriptions in the texts are understood as traces of the interactions that performatively materialized the particular set of inclusions, exclusions and arrangements. Within the new materialism, these traces are more telling of the interactions that materialize certain inscriptions than the spoken rationalizations of preparers themselves (chapter 2). To make sense of the data, I assigned a number to each item of information (total 1561) provided to the teams, and tabulated 0 or 1 for each report to note if the item was included or excluded. These metrics were visualized by the categories of the impact value chain, by the topics as organized in the case material and by the performance measurement approach so that I could see patterns (or lack of patterns). To analyze format, I adapted a mapping technique from Langley (1999) to illustrate



the flow of each report and arrange the numbered inclusions in a schematic of the report. These analytic visualizations were carried out iteratively, making extensive memos at each iteration, until I felt I could succinctly explain the patterns of inclusion and exclusion in each report. The results are presented with exemplars that draw out the themes.

The “case” materials were unlike those of a typical case competition. Rather than a written case, the teams were simply given a very large quantity of information (59 pages), provided with no commentary added beyond definitions of terms and acronyms, and a task (to write a report for stakeholders on the performance of Our House). The information was assembled based on four hours of interviews with Our House’s Executive Director. Our House provided all requested data. It included the charity’s founding story, mission, vision, six years of quantitative performance information, full transcripts of interviews and focus groups with beneficiaries, comments from staff, six years of full audited financial statements and more. The information was organized, and lightly annotated with extracts from interviews with the Executive Director. Figures 4.3, 4.4 and 4.5 are extracts/ed from the case documents.

### Analysis

As noted at the outset, the reports had different inclusions, exclusions and arrangements that taken together conveyed different accounts of Our House’s performance, from effective to ineffective. Images of the reports are shown in Figure 4.5. Reports A and B are from leading organizations, D and F are from lesser known but well regarded impact consultancies, and C and G are from an MBA program.

#### **Different categories mattered**

The reports used the templates to select the categories of social performance that are material to Our House, and they arranged these categories in a hierarchy of causal relationships. Similar templates were populated with different categories, in different orders. Compare the right-most boxes in Figure 4.7

and 4.8. One report (Report B, Figure 4.7) presents a hierarchy of categories with tenant quality of life as the ultimate measure of performance. The other hierarchy (Report F, Figure 4.8) places benefits to society, articulated as economic benefits to the wider economy and the cost-savings to the single-payer health care system, as the ultimate measures of performance. These figures are both adaptations of the classic logic model, but the fields were populated differently, arriving at different categories material to the assessment of Our House's performance, and ultimately a different set of inclusions and exclusions.

Consistent with the logic model device, Report B populated the diagrammatic template with Our House's mission and vision as the definition of performance. Our House's mission is the provision of "community, opportunity, support and housing to people affected with mental health, addiction and poverty issues." Their vision is "a world where everyone has stable housing, a sense of belonging and a chance at a better life." Faithful to these, the theory of change in Report B has "tenants have a better quality of life" as the ultimate outcome and "stable and safe housing", "choice and control" and "sense of belonging" as the constructs that comprise and create better quality of life.

In contrast, Report F is an SROI analysis of Our House. The logic model is different than that of Report B because of how the logic model interacted with the SROI device and Our House's specific inscriptions. The SROI method requires the creation of a logic model in consultation with stakeholders, which is then adapted to calculate a social return on investment. Report F articulates how transcriptions of interviews with residents of Our House were used to populate the logic model:

Organization data were used to identify the key stakeholders. ...Quantitative and qualitative data were used to determine the key outcomes for stakeholders. ... Four key themes were identified... social inclusion, personal achievement, feeling more supported, and stable tenancy. ~Report F

The list of stakeholders identified by Report F — and used to populate the SROI template — was partly drawn from the case documents (current beneficiary-tenants, social workers who work at Our House, Health care services, Partner agencies, Our House management) and partly from the usual stakeholders that commonly appear in other SROI reports (local residents, local employers, families of

beneficiaries) but were not mentioned in case documents. The latter were mattered into the report, accompanied by a note “not able to find evidence of potential outcomes.” The device and its ideational entanglements asserted the materiality of groups that charity managers had not considered material enough to inscribe into Our House’s performance tracking systems. There are not categories or data for these groups in Our House’s records, but in interaction with a device, they mattered into reports, including a statement that Our House data collection systems may have a material omission.

Further, in arranging stakeholder perspectives into the logic model, the discourse entangled into the SROI templates — high-performing charities are those that achieve “social value” at low cost — interacted with inscriptions to override the four key themes identified from the analysis of resident transcripts. “Social inclusion, personal achievement, feeling more supported, and stable tenancy” were devalued and “benefits to the local and wider economy” and “savings for healthcare services and providers” were valued as the more important outcomes to be achieved.

All reports identified the categories relevant to performance from which they built a framework that specified the evidence to be mobilized to inform the category. Right at the outset, the reports drew on different concepts of performance in the mattering of performance in the context of this specific entity. The first approach, enacting the meanings entangled in the logic model, ascribed importance to intent and strategy, placing authority over the meaning of performance with Our House’s management and materiality to the data that informed management’s intended performance. The second approach, enacting a different mattering of performance, considered stakeholders when assessing material omissions, but gave primacy to public purse cost savings in the visual arrangement of data.

An MBA group took a different approach uninformed by any device. The report rooted the selection of categories in the organization’s intervention. Report C used this approach. Their report was premised on the notion that there are a class of outcomes that can be produced by a kind of intervention. Our House is a Housing First initiative. Based on extracts from academic evaluations of other Housing

First initiatives (including case documents), Report C identified a set of categories that were comparable to other Housing First projects, such as duration of tenancy, reduced use of shelter beds, reduced police encounters and reduced unscheduled emergency room visits, and understood Our House's performance as striving to achieve or surpass these results.

Based in the Housing First methodology, Our House provides stable housing (primarily in units owned by the organization), and builds off this housing to provide crucial services at a lower cost per unit of housing than mental hospitals or jails. ~ report C

Using the exact same materials, six different reports constructed Our House into text in six different ways. However, rather than being simply "soft" and "subjective," there were distinguishable techniques for identifying relevant categories of performance given the entity-specific mission, goals, stakeholders and interventions. In the next sections I will give two detailed examples of interactions between inscriptions and devices enacting different materialities. The first is a minor program that was given major significance in many of the reports. The second is a major portion of the charity's work that was de-mattered from the reports. The juxtaposition of what is reported with what data was available — namely the visibility of exclusions — is made possible by the research design in which all groups worked with the same initial inscriptions. The differences in the materializations are not random, or the result of individual human whims; rather they are, in large part, a performative enactment of the interactions of devices and prior inscriptions. There are specific interactions of tangible material practices that produce difference. These interactions and productions offer a way to understand differences in materiality.

### **Materiality of a minor program, differently enacted by templates**

In the case documents, "employment" is not mentioned as one of Our House's target outcomes for tenants. In fact, employment services are explicitly described as something Our House management does not want to engage in. In the opening sentences of the transcripts of tenant focus groups, Our House clearly indicates that employment services are outside the organization's mission:

So the ideas are not about us running employment or nursing programs. We do have support, but we are not a nursing organization ..., it's not our business to do that job.  
~ ED comment in case documents

Despite this, two reports (F & G) identified employment as a top-level category. Report G gave no justification for the prominence of employment in the framework, implying self-evidence or an inherent truth that getting people back to work must always be a top priority, consistent with the market-oriented ideation of all entanglements of the SROI method. Report F supported the selection of employment as a category based on stakeholder (resident) transcripts, performatively enacting the ideational entanglements in the materiality of the device and its blank fields. As the quotes below show, employment was indeed important to residents.

For me what I think has been made possible by living in Our House is being able to work and have a job because my job is in mental health. So the volunteer work I do with Our House started in 1995, was really the experience that let me get a job in mental health and also in living where I do, which is a 3 minute walk to work. This has been a huge factor being able to maintain the job. ~ Extract from transcript of tenant focus groups.

After I first got my cleaning job at Our House and was applying to go back to school I got a very good reference from Our House. I was told by my supervisors [that] I got a glowing reference from the Director — the Director! Not only did I get a good home and a job, but a reference too. After I graduated, I got a job right way, and have worked full time ever since, providing care in private homes. ~ Extract from transcript of tenant focus groups.

The last nine years have been pretty rough because as a gay man things have gotten pretty bad—got pretty bad at work with persecution and abuse from people I worked with. I got pretty much chased out of my job and I took a nervous breakdown two years ago. Two separate ones in December 2008 and another in May 2009 and I actually was committed to the hospital, to a padded room for eight hours because I just couldn't handle it anymore ~ Extract from transcript of tenant focus groups.

The category of performance interacted with the format of the SROI template, to materialize certain performance inscriptions into the reports. Once employment was inscribed into the format, the next cell in the template must be populated with activities that help to increase employment. However, Our House does not track employment outcomes (this is not material to management's conception of performance). The closest available data was The Exploration Grant. The Exploration Grant was materialized into stakeholder reports that used SROI (quote and Figure 4.9). The Exploration Grant, as described in case documentation, "is to show our tenants they can dream and strive for something more

than survival.” Some recipients use the fund to pursue employment-related training, but that is not a requirement or the intention of the grant. The Exploration Grant was materialized into the inscriptions on this insistence of the category because it was the inscription in the case data most related to employment. Report F, prepared by an organization with expertise in SROI, gave the Grant prominence as evidence of the employment category elevated above management’s intended outcomes by the tenants themselves. Both MBA teams (G & C) mentioned the Exploration Grant. By contrast, reports that used a logic model approach (A & B) either materialized the Exploration Grant less than case documents (0.1% of Report A) or not at all (B). Report D, which used a dashboard, did not mention the Exploration Grant.

In support of employment, Our House directly provides job opportunities for some of its tenants. This reduces stress in other aspects of their lives such as recovery and childcare...Additionally, within Our House’s direct support services is the Exploration Grant, which awards tenants with a grant to develop skills and meaningful experiences...Investing in learning and development are essential for gainful employment and therefore stability...it is unclear how much the program actually has on helping tenants find a job or improve their employment status. ~ Report G

The Exploration Grant is not material to Our House by other criteria. It is a tiny portion of what Our House does. As measured by expenditure, in 2014 it cost just over \$11 thousand (> 1%) out of \$14.8 million in total spending. In terms of reach, only 53 (4.6%) of Our House’s 1150 tenants applied for a grant and 30 (2%) received one. In terms of staff resources, the Exploration Grant is run entirely by volunteers and thus uses minimal staff time. Moreover, it isn’t a particularly innovative or effective program for employment-readiness training. The completion rate averages only 60%, and the reasons for non-completion indicate how far away many tenants are from being employment-ready. They include unwell, too difficult, deceased, incarcerated, conflicts with classmates and, perhaps the most telling, award declined. Almost a third of recipients declined their awards. In case documents, information on The Exploration Grant took up less than a quarter of a page (0.4%). Yet, the reports that used an SROI method, selected employment as a category, and materialized the Exploration Grant as an important program through arrangement (first item in visual treatment in Report F) and space (5% of Report G).

Entangled in the inclusions of exclusions of reports F and G are meanings encoded into the “social return” concept of SROI that “good” performance is to move tenants toward becoming tax-paying, rather than social-assistance-consuming, citizens. Reports F & G assessed Our House on employment, and gave considerable weight to the Exploration Grant, even though case materials stated that Our House management does not consider employment relevant (“it is not what we do”).

Information on the Exploration Grant was materialized by Report C (10% of total space) for other reasons. Report C did not have employment as a top-level category. (Recall performance was based on performance achieved by other House First program sites.) Report C includes the Exploration Grant to offer an optimistic sign of progress after an overall critical report on effectiveness: “While the Housing First approach has been validated, at present, there is only indirect evidence that Our House’s interventions are improving health, stability, and societal outcomes” (Report C). Report C mentions the Exploration Grant’s growth — number of recipients increased 400% between 2008 and 2014 — and uses the ED’s commentary to argue that growth in participation is the key measure of success of the program.

In sum, a small program that was mattered into reports due to interaction with prior inscriptions (what data was and wasn’t available to be mobilized) and the devices (a manner in which blank cells necessitate populating), the ideational entanglements of devices and prior inscriptions materialized a particular set of inclusions and exclusions. The inability to populate a device was the mark of the materiality of an omission in the prior inscriptions. As a result, the reports presented to external users — had they been real — different visibilities of the same organization. Reports that focused on employment found Our House relatively ineffective *because* of the poor track record on employment outcomes, whereas Report C found Our House ineffective due to weak cost-savings compared to other Housing First Programs, but felt the Exploration Grant offered optimism that performance was improving.

To briefly extend on this point: the SROI method structures inscriptions into an overall assessment of performance by expressing all outcomes in monetary values that can be summed. Report F

had five categories. The first four were a sense of belonging (which they called social inclusion), personal achievement, feeling more supported and having stability. Using financial proxies found at the Global Value Exchange (a repository of financial proxies used by SROI practitioners), all these together were valued at about \$700,000 for the year 2014. The fifth category was impact on the wider community, measured as shelter costs multiplied by evictions avoided in the year and valued at \$4.3 million. All of the human outcomes combined weren't worth close to as much as avoiding shelter stays. Earlier materializations (importance) of inscriptions, based on stakeholder voice, were overridden in the final stage with financial proxies, essentially a weighting, diminished them from the top four of five categories to only 14% of social value created.

### **Immateriality of a major activity**

In this section I show how the material arrangements of the devices enacted exclusions of categories and data that might otherwise be considered material. I do this by examining the evidence included to support the category "stable housing." Contrary to the example above, stable housing is an example of performance data that is excluded, despite being a major proportion of what Our House does.

Our House was created to provide stable housing. There are two parts to this: provide affordable housing and help tenants stay in their housing. The founding story, stated in the case documents, clearly places an emphasis on the former. It describes a public policy shift during which people were moved out of psychiatric hospitals and into communities: "In principle, this was a praiseworthy idea; however, the great void of emptiness still awaits the majority of people; there wasn't — and still isn't — enough safe, affordable housing to go around" (from case materials). Every report had some category related to stable housing in its hierarchy of performance, yet *every report* focused on the second of the two parts of this—the supports offered to help tenants stay in their housing. If physical housing was mentioned, it was as an input rather than an outcome of the charity's work; as a precondition, not as an achievement.



The provision of housing is a major proportion of what the charity does. Its importance to Our House's work can be seen in the mission, vision and founding story. As mentioned above, Our House was created to provide housing. Importance can also be established conceptually. Obviously, one cannot provide stable housing without the housing itself. Its importance can be quantified as a proportion of assets, expenditures, staff resources and tenants affected. As stated in the case materials, Our House owns 41 buildings comprised of 869 units. These capital assets account for \$51.8 million (75%) of the total \$68.7 million assets. Property management expenses (mortgage interest, amortization, property taxes, waste management, insurance, utilities, maintenance) amount to \$10.7 (72%) of \$14.8 million in total expenses. As viewed through the financial statements, Our House is a property management company. Financial measures are not the only way to gauge significance, particularly for a not-for-profit organization. Alternative measures might be staff and beneficiary reach: of the organization's 51 staff members, 16 (31%) are dedicated to property management. All tenants (100%) live in properties owned or rented by Our House.

Only one report included any performance measures related to the stock of housing. Housing was dematerialized from the account of performance. Instead, five of the six reports focused on the human supports in place to help tenants remain housed. Financially, support services account for no assets and approximately \$2 million (18.5%) in expenses. In terms of staff and reach, the tenant support team includes a staff of 26 (51%) and 1046 (91%) residents. One of the ways that Our House provides affordable housing is "Head Lease" — renting whole buildings to partner organizations such as the YMCA. Under this arrangement, Our House does the property management and the partners provide all the services to tenants. Because of this, Our House provides housing to 100% of their residents but support services to only 91% of residents. Support services are certainly a major component of the charity's work, but by considering only supports (by excluding the provision of housing), the reports omitted from their assessment 72% of the charity's work as measured by expenses, 31% as measured by staff, 11% as measured by units and 9% as measured by beneficiaries affected.

There are 9% of Our House residents for whom the entirety of Our House's role is to provide housing; a physical, bricks-and-mortar place to live and nothing else. It is not social work but real estate and property management. The outcome is affordable housing stock. Yet nothing in the performance of any of the reports speak to how Our House performs for these 9% of residents. Housing Stock is an outcome against which performance could be assessed based on the data inscribed by Our House and provided in the case materials. For example, Our House has funds to rent 88 private market units and then sublet them at affordable rates to beneficiaries. It is currently 17 units shy of 88, meaning it has funding but has not successfully converted that funding into stock of affordable housing (case materials also stated that there is a long waitlist for affordable housing so the analysts had the information to know that the 17 units are needed and would be filled if procured). No report mentioned, or gave indication to having contemplated, this data as they amassed evidence for "stable housing."

Housing itself was de-mattered by the devices. Reports B & F in which inscriptions are arranged according to a logic model situate housing stock as an input, at the far left of the page. Logic models are entangled with program evaluation and international development. How-to guides are full of examples of charity workers running programs, with physical resources as inputs and human well-being as an outcome. The arrangements in reports B & F iterate familiar narratives entangled in the method used. In doing so they performed a certain materiality. They de-mattered the work of sourcing, financing and maintaining housing stock (recall Our House spent \$10.7m out of \$14.8 in total expenses on this), erased from performance assessment money for housing left unspent (despite a wait list), and silenced the experiences of a full 9% of tenants who receive only housing from Our House. All the reports conceptualized housing as an input because that is where physical things are normally situated.

Report F was most explicit in the de-mattering: "the evaluation includes the direct support activities. The SROI has excluded Head Lease due to no data being available regarding outcomes." This is a fascinating statement because there was data in the case documents pertaining to outcomes, but not

the sort of outcomes that fit with the ideational entanglements of the template. The device rendered the inscriptions not only immaterial, but invisible.

Only in Report D does data on physical housing have any prominence. Report D is a Dashboard: several Key Performance Indicators arranged on a page, grouped with similar information, but with no relationship between them (like the display of a console of a car after which the style is named). In report D, housing stock data stands uncategorized and unlinked, simply as something important to be tracked and managed. The physical arrangement of the dashboard allowed the possibility that capacity-to-serve is something management creates, as opposed to something management is given. Without the linear-process entangled in the logic model, the housing stock is not forced to come prior to other services. It can be, at once, an input to some activities and an outcome of others. The device allowed a non-linear conception through which certain inscriptions on housing were allowed to assert their materiality.

### **Prior inscriptions enacting their own mattering**

Above, I have shown how devices interacting with entity-specific inscriptions mattered and de-mattered performance information in ways that are discordant with representational faithfulness. In this section I describe how the form and arrangements of Our House's own inscriptions asserted their own mattering (and de-mattering).

In the case documents, Our House's ED is quoted as follows: "Our primary mission is stable housing. We consider it a success when tenants stay. So often now, in health care — especially hospitals — impact is all about the flow; moving people through the system. We have a challenge to demonstrate the impact we offer by providing stability" (case documents). There were three tables in the case documents that could be used to reflect on tenant stability. The first two, Evictions Prevented and Length of Tenure, were included in all six reports. The third, Reasons for Moving Out, was included in only one report.

Evictions Prevented inscriptions were mattered into all reports. The case documents explain, “Eviction notices are served as a private sector landlord would serve them. It is the supports that follow the eviction notice that distinguish Our House from private sector landlords. The supports are there to prevent the eviction from being completed” (case documents). The quote goes on to explain that tenants get two notices of risk of eviction. The third notice results in eviction. Our House tracks numbers of notices served and number of evictions. This data provides a robust measure of how effective supports are at preventing eviction once eviction is a risk, however, eviction is only one cause of instability. For example, in 2014, evictions accounted for 21 of 91 move-outs. Evictions are material, but partial.

Data from the Length of Tenure table was also mattered into all reports (Figures 4.11, 4.12, 4.13, 4.14). The case documents state the percentage of current tenants who have been at Our House for various lengths of time (Figure 4.10). The data is almost useless for analytic purposes. It looks only at current tenants (omitting all those who moved out), the data is expressed in percentage (rather than absolute numbers) and the intervals are inconsistent. A better framing of this data would provide average tenures, in months, for all the people who had entered Our House, not only current tenants. Despite opacity, every report charted it as evidence of stable housing.

As illustrated in the chart below, length of tenure over the past five years has remained relatively constant with a slight upswing in long-term occupancy. As of 2014, for example, 37% of tenants have lived in OUR HOUSE residences for greater than ten years, up from 30% in 2009. ~ report G

One indication of stability is the length of tenure. For the regular Tenant Members (the specialist services are too recent to make sound judgments about this) this has been increasing. For example, the percentage of the Tenant Members who have lived in Our House accommodation for more than 5 years increased from 51% to 63% between 2009 and 2014. This may partly be a function of the age of the service, but certainly reflects the appeal of living at Our House. ~ report B

A third table, Reasons for Moving Out, appeared in the case documents between the other two. It gives a year-by-year tally of the number of tenants that moved out and why. Reasons included moving to higher supports, hospitalized, evicted, death, incarceration, abandonment, etc. The number of people moving out each year, and why, gives a more analytically useful lens on the charity’s success at providing

stability. However, the manner in which the data appeared in the case documents made it difficult to summarize in text, chart or display as an infographic. The format was tabular by year with no clear trends, and the categories appeared dissimilar. This perhaps contributed to exclusions in five reports. Only report B materialized these inscriptions as evidence toward assessing “stable housing.” To do so, the preparers, unassisted by a device, had to group categories in ways that were somehow materially different from other categories. They reorganized the information by categories of move-outs that reflect positively on Our House supports and those reflecting negatively (eviction, abandonment) and neutral (hospitalization).

For most groups, materialization needed a conceptual framework. Without a device, one had to be created that simplified the data through the addition of valuation judgement. Inscriptions that were more readily combined into tables and summaries were readily mattered into reports. This may offer some additional insight into the de-mattering described in chapter 3.

With the exception of Report B, the meaning cut out through inclusions and exclusions was not actually about stability. While Length of Tenure inscriptions were included, the reports emphasized data about where tenants came from — shelters, hospitals, jail — (compare Figures 4.3 and 4.11) with the implied claim that nights and years spent in residence at Our House were nights and years not spent in more expensive institutions, such as jails, hospitals, mental health institutions and homeless shelters (Figure 4.15). The reports conceptualized stays at Our House as perpetually converting expensive services into less-expensive ones.

The ED’s comment resisted the idea that Our House was a pit stop between shelters and independent living. Many residents at Our House are not likely to ever live without supports. Our House does not impose that as a goal for its residents but frames success as staying housed. The reports, taking the cue, did not speak of rehabilitation or moving on to independent living, but countered by imagining the tenants as always on the brink of descending into more expensive services. Not only is this disrespectful to the tenants who are not on the brink, it redefines stability as precarity. For a tenant to truly

be in stable housing, they must, by definition, *not* be on the brink of losing it. That they require supports to stay stable does not make their situation precarious. (I need my computer to be productive; that I would be unproductive without my computer does redefine my productivity as unproductivity! Nor can the entire value of my productivity be rightly attributed to my computer.) This is precisely the logic used by the reports that sought to value stability as services avoided. This is the enactment of logic model and SROI devices that value *change* (not stability).

Reports had to imply precarity in order to tell a story about stability using devices that are fundamentally about change. The ED said, “impact is all about the flow.” In financial accounting, there are cash flow and income statements to account for flow, but these are not the only statements. Financial accounting also has a statement of position; this statement allows the entity to hold value both in physical assets and accumulated prior flows. In the myriad of devices, methods and templates for social performance measures, there is nothing similar to a statement of position; no way to hold onto the value of helping a tenant to achieve stability, the way retained earnings can hold onto prior-year income (as seen in chapter 3, the formats of NEHLW of the late 1800s did accomplish a version of this by maintaining a running total of all people helped to date). Instead, each year, the entire population of Our House is recast as precarious and using expensive services; if they remain housed at the end of the year they are reclaimed as stable in order for the work of Our House to count. This was true of every report in the study, and Our House’s own annual reports.

### Discussion and conclusion

To ask what is material to performance is to ask what *is* performance. Organizing prior inscriptions into a coherent presentation necessitates the assertion of categories by which performance is suitably gauged. Different devices are entangled with different ideas about what *is* performance and where authority for its determination lies. Four broad conceptions of performance were enacted into reports through the devices. One is that performance is the attainment of management’s intended goals.

This approach is consistent with the notion of a charitable mission and that a charity's performance should be assessed on its accomplishment toward that end. A second is that performance is responsiveness to stakeholders generally, or beneficiaries more specifically. This conception of performance places power with those the charity is trying to help, which feels intuitively right, but — as demonstrated — may be at odds with budget, competence and other constraints that management faces. A third conception of performance articulated the yard stick based on the achievements of peers — charities doing similar work. While this provides a much-needed point of comparison, the authority of both management and beneficiary over desired aims (and materiality of certain measures to performance assessment) is subordinated to the norms of peers. A fourth conception of performance is cost effectiveness relative to the market and all other charitable and non-charitable strategies — whatever has the greatest cost benefit, or social return.

The research showed that the notions of performance were enacted into the reports through the devices rendering certain omissions in prior inscriptions material, and articulating an evaluation of the charity that varied from effective to ineffective. The differences do not arise from a dispute over facts, but over which facts mattered to the question, and how they relate to each other. Viewed through a materiality lens, the above conceptions of performance are not easily combined. In the SROI, for example, the cost-valuations altered the relative magnitude, and thus materiality, of outcomes highlighted by residents. Almost all notions of performance were predicated on a celebration of change, de-mattering the value of stability. They conceptualize social performance as a linear value chain, de-mattering the performance arising from the acquisition and maintenance of housing.

This study sought to understand difference in what comes to matter. Through inclusions and exclusions, a certain form of performance matters. The inclusions and exclusions, drawn from a large quantity of performance measurement data, are citations of broader discursive notions about what a good charity is.

It was demonstrated that materiality is not a singular concept applied repeatedly in a long process, but rather a multi-layered or stratified concept each with different conceptual and technical components. As shown in table 4.1, the devices organize the elements of the report and the underlying logic of its assessment: “the building blocks from which ... statements are constructed” (IPSASB, 5.2). These are populated with entity-specific categories. The study illuminates the significance of exclusions that can occur (housing stock) when the categories violate representational faithfulness. In financial accounting the categories are fixed and material to all reporting entities (namely relevant). With social performance these are selected anew with each application of the devices.

The evidence stratum refers to the items that are brought to bear on a category to assess performance. Measures were included based on their materiality to a category (employment), not necessarily to the entity (Empowerment Grant). This speaks to the performatively relationship of materiality enacting future materiality. The format stratum refers to the manner in which an inclusion is presented. Here materiality refers to the prominence of an item in the arrangements within the report, as well as the degree to which an item is explicitly disclosed, or disclosed in summary form. Arranging certain prior inscriptions in certain formats enacted mattering (or not). The arrangement of items in templates entangled them with particular notions of change, and an attention to human services that enacted mattering and de-mattering in the external facing reports.

[Table 4.1 about there]

The mattering is entangled with what is relevant and what is not (Robson, 1991, p. 552). This chapter shows how materiality was differently produced by interactions of templates and inscriptions. The templates are established methods in material form that are entangled with particular discourses about what matters. The values (matters) were encoded into devices and templates, then materialized into the entity-specific report. Although the reports were based on the same common set of prior performance data, the templates and devices enacted different inclusions and exclusions of it into a public-facing



account of the organization's performance. The templates enacted different categories that demanded and materialized different inscriptions as evidence to support the account of performance.

The templates and other material discursive entanglements constitute the apparatus through which the account materialized. Different apparati differently enact matter and meaning, and differently make possible and constrain the possibilities performativity influencing the meanings that materialize. Different materiality chains leave spaces for making things matter by the act of inscribing them. The discourse is not always so pervasive and monolithic that all choice is ceded to regulations or involuntary subconscious recreation of normative behaviours. While there are times and domains where such may be the case, there are others where the fluidity of the matter and meaning allow inscriptions to assert and legitimize new ways of being. Materiality judgments are performative acts. This creates space for accounting inscriptions to create a new materiality and to performatively enact different entanglements of matter and meaning.

The study contributes to the understanding of materiality in an arena without affirmative disclosures. Specific to charities, Chenhall *et al.* (2013) observed, "Accounts of performance are critical because it is in discussions over the different metrics, images and words that can be used to represent performance that the actual worth of things is frequently debated and contested (p. 269)... Centered on the question 'What is quality?', it was here that staff were able to advocate for the inclusion and exclusion of particular elements and indicators" (Chenhall *et al.*, 2013, p. 275). The "actual worth of things," however, is already constrained before the conversation begins. It has been materialized into certain devices and approaches and those performatively enact certain matterings; that is, certain viewpoints of worth, inscribed in accounts of performance.

The study also contributes to the understanding of materiality in financial accounting. In the charity reporting context, the idea that different techniques might result in the assemblage of different inscriptions is relatively intuitive. By theorizing how this happens, namely the performative enactments of devices and prior inscriptions, this study offers a language and an additional theorization for how the

financial accounting apparatus may be producing ‘what matters’ in financial accounting, in ways that are producing – rather than responding – to user interests.

Using intervening observations, a middle ground between laboratory interventions and naturalistic observation, the study was able to make visible the inclusions, exclusions and arrangements prior to the fabrication of an external-facing report, as well as observe how the prior inscriptions were differently enacted as they interacted with different devices and templates. While these intervening observations should not be considered “treatment conditions,” for there was neither manipulation of measured variables nor a control, they can make visible that for each report produced “it could have been otherwise.”

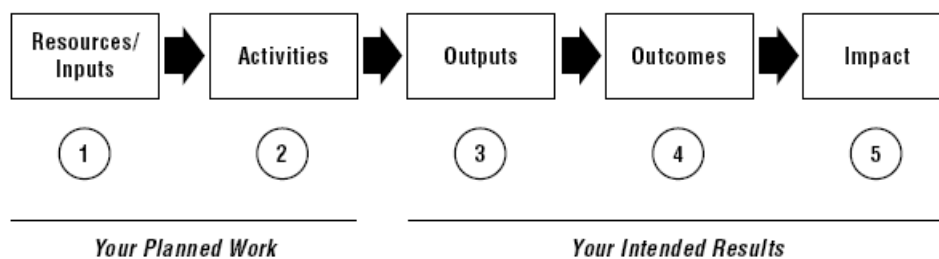
Materiality, in accounting, for too long has been theorized and studied as preparers and auditors making guidance and best-guesses about which omissions and misstatements fall above and below an unknown threshold of user needs. Too little attention has been given to the material discursive practices of materializing accounting information, the pervasiveness of the materiality action, and the agency of inscriptions, devices and other objects as actors, in materializing accounting numbers. For certain, the conscious judgments of preparers, auditors and controllers (for internal accounting systems) will have a role, but that role has been over-emphasized. Emphasizing the role of inscriptions and devices offers new theoretical directions for understanding what is material, and for improving materiality judgements.

## Tables and Figures

**Table 4.1 Materiality as a multi strata concept**

<b>Materiality Strata</b>	<b>Question</b>	<b>Social Performance</b>	<b>Financial Accounting</b>
Category-level materiality	What topics matter to the construct of performance?	Varied. May be emic to management, stakeholders or intervention.	Elements. Embedded in structure of financial statements.
Evidence-level materiality	Which data should be considered to evaluate this category?	Consistent by category but not proportional to entity-specific measures.	Embedded in structure of accounts — issues of errors or omissions relevant.
Format-level materiality	Which data merit highlighting in the final account?	A matter of tone & style, not substance.	Management/auditor discretion, convention.

Figure 4.1 The logical framework and theory of change



<https://www.wkkf.org/resource-directory/resource/2006/02/wk-kellogg-foundation-logic-model-development-guide>

Figure 4.2 Observational methods from Shaughnessy, Zechmeister & Sechmeister (2012)

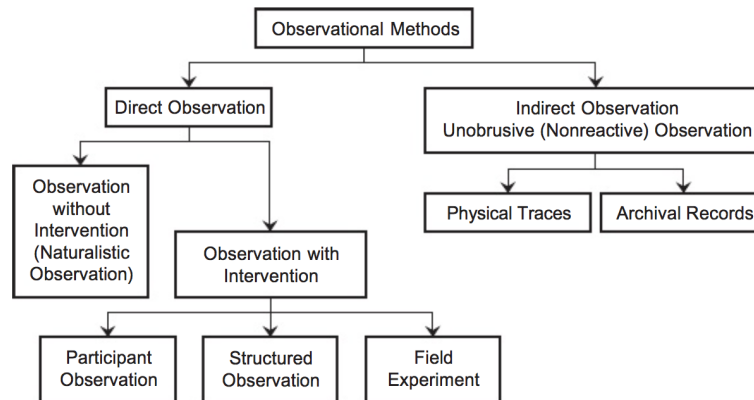


Figure 4.3 Example of quantitative data: Where tenants came from before moving into Our House

	2009	2010	2011	2012	2013	2014
Shelter	28%	14%	12%		38%	27%
Rooming House	4%	22%			7%	13%
Psychiatric Hospital	8%	5%	22%		2%	7%
General Hospital	0%	3%	0%		2%	0%
Jail	2%	0%	12%		0%	0%
Other Housing Agency	4%	0%	8%		4%	4%
Private Market	10%	3%	9%		18%	9%
Was Homeless	12%	19%	8%		4%	13%
With Family	8%	0%	9%		4%	11%
With Friends	4%	0%	9%		11%	7%
Other	16%	0%	0%		9%	4%
No Response	4%	3%	8%		0%	5%
Don't Know	0%	0%	3%		0%	0%
Total	100%	100%	100%	No data	100%	100%

Figure 4.4 Example of qualitative data – transcript of interview with tenant

Interview: Mitch

Tenure, Housing	For over 20 years I've lived at River House. It's near the subway — a 1930s art deco building. It's an unusual design. If you've watched Seinfeld there's a building just like it. It's furnished. I have a renovated kitchen, a bathroom, a walk-in closet. It's a comfortable place. The building is clean. It's secure. I have a steel door you can lock. I'm comfortable with all the people.
Move-In	Before I moved here I'd lived in a lot of awful places. Substandard places: rooming houses, psychiatric rooming houses, low-rent apartment buildings. I could go on for hours and hours. I haven't been hard-core homeless, but I've slept in abandoned cars, or in ditches. When I say "hard-core homeless," I mean sleeping on a grate in winter. I haven't done that. I was always able to get off the street. I know how to do that.
Move-In	I have a history of mental institutions. I do <i>not</i> have a history of jails. I've been in jail overnight, but most of my time has been in psych institutions.

Figure 4.5 Example of annotations of data – extracts from interview with Executive Director

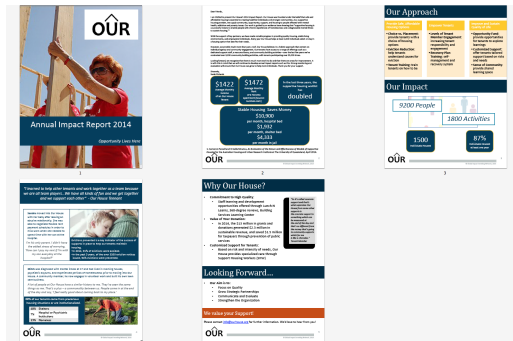
Providing choice and a sense of ownership: From "live here" to "Where do you want to live?"

ED Comment: Back in the 1990s, we discovered that many of the people living in our buildings had no idea they were our tenants. They only knew that an agency had told them, "live here" – and so they did. In 2001, we changed our approach from "live here" to "where do you want to live?". Offering choice – not placement – has allowed tenants to define their own best interests. No one gets everything they want, of course; poverty always limits choices. But the act of choosing, even among limited options, connects the individual to what matters to them, and leverages their commitment and capacity to succeed.

ED Comment: Our House gave tenants membership rights in the corporation. Tenants can vote for the Board of Directors, run for the board themselves and take other rights of memberships. Since 1999 we have convened tenant member meetings at individual buildings. Since 2000 Our House has involved membership in strategic planning. In 2006, we worked with members to develop a terms of reference and recruitment strategy for a Membership Advisory Committee. In 2008 Our House started tracking who has participated in group activities and who has led them.

Figure 4.6 Reports Submitted

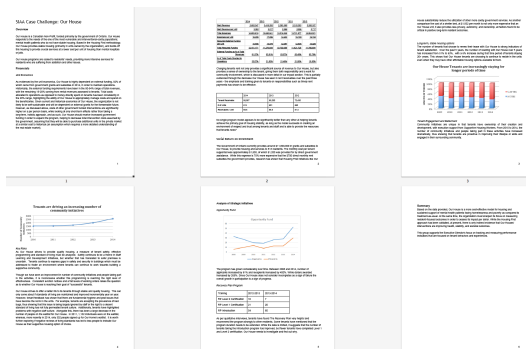
## Report A



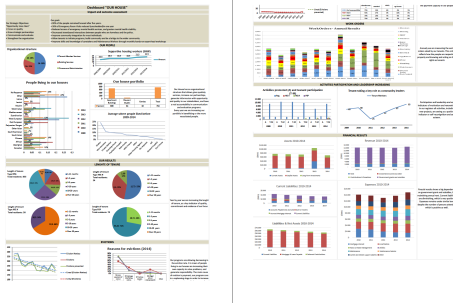
## Report B



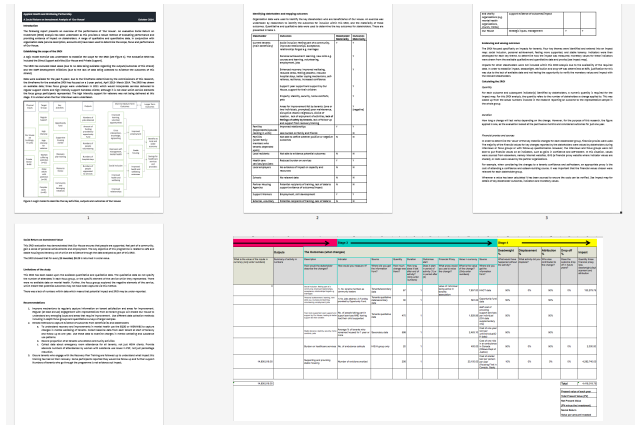
## Report C



## Report D



## Report F



## Report G





Figure 4.7 Hierarchy of Categories presented in Report B

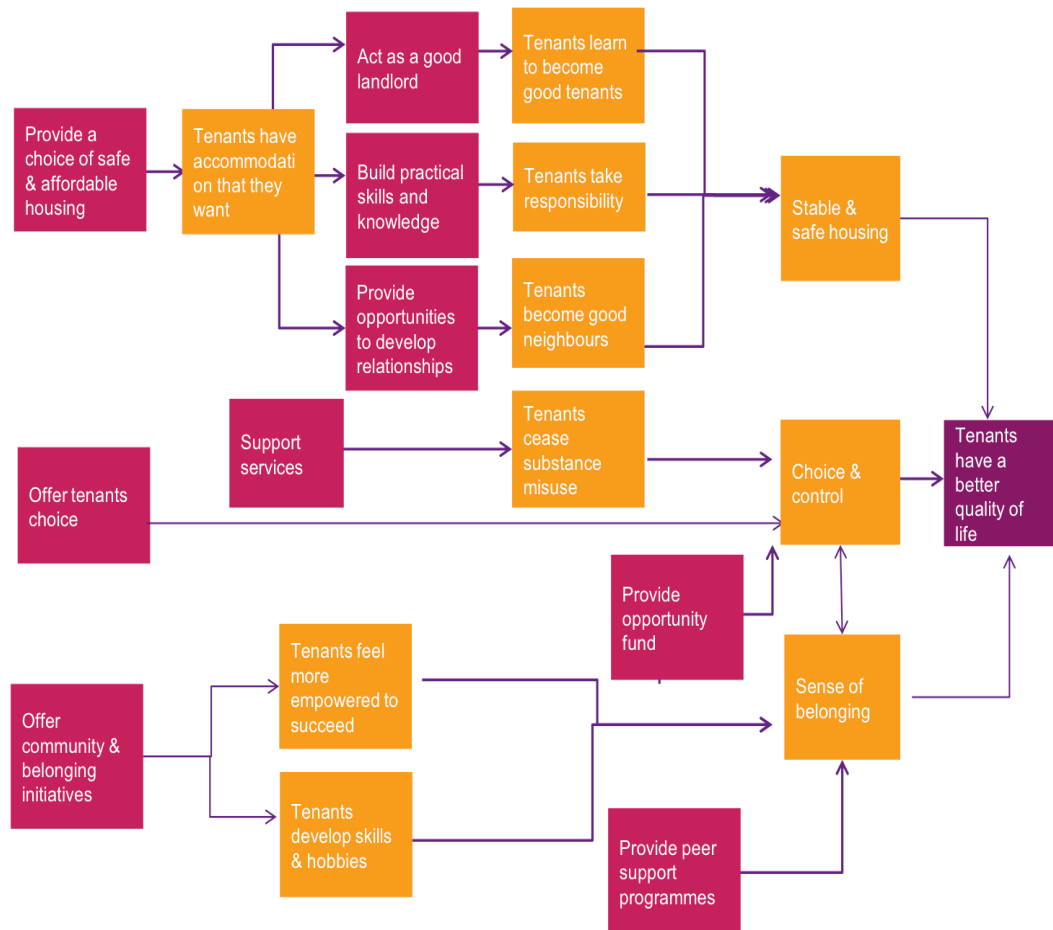


Figure 4.8 Hierarchy of categories presented in Report F

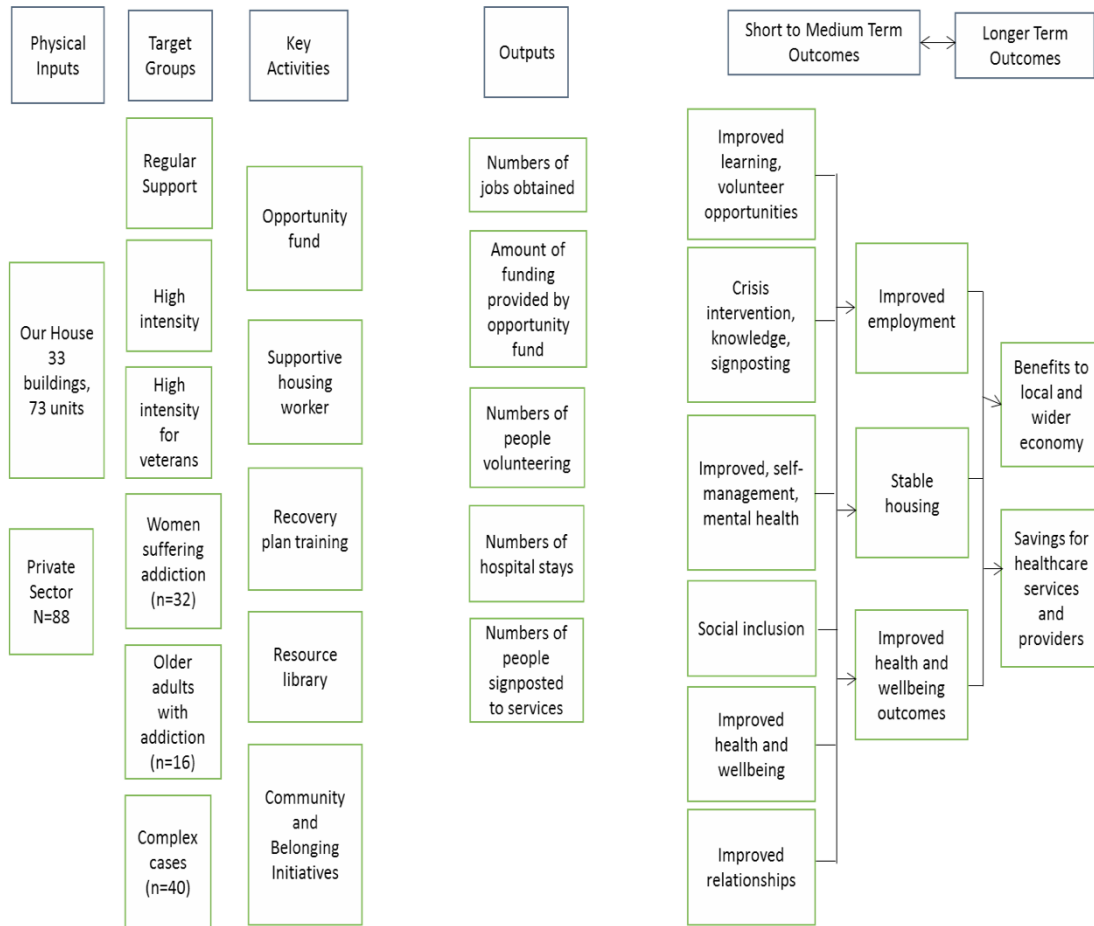


Figure 4.9 Personal achievement, employment and exploration grant

The Outcomes (what changes)				
Description	Indicator	Source	Quantity	
How would the stakeholder describe the changes?	How would you measure it?	Where did you get the information from?	How much change was there?	
Social inclusion: feeling part of a community, improved relationships, acceptance, relationships forged e.g.	1). No. tenants members as community leaders	Tenants/secondary data	67	
Personal achievement: learning, new skills e.g. courses and learning, volunteering, employment, jobs	1) No. jobs attained. 2) Funding provided by Exploration Grant.	Tenants qualitative data/secondary data	30	
support by Our House, leading to better support for their children	support services AND having had their child supported	Tenants qualitative data	470	
Stable tenancy: stability, security, home comforts, pets	Average % of tenants who remained housed for 1 year or more	Secondary data	598	
Burden on healthcare services	No. of ambulance callouts	HIS:H group only	20	

Figure 4.10 Length of Tenure, from case documents (partial table)

#### Length of Tenure

This table shows, for a given year, how long Our House tenant members have been tenants of Our House. So for example, in 2014, 66% of the thirty HIS: V tenant members had been with Our House for less than 1 year; 34% had been tenants for 1–2 years.

	2009	2010	2011	2012	2013	2014
<b>Reg</b>						
1–11 months	15%	3%	14%	14%	14%	9%
1–3 years	18%	20%	17%	15%	15%	16%
3–5 years	16%	17%	14%	15%	12%	11%
5–10 years	21%	26%	23%	23%	24%	26%
10–20 years	29%	32%	29%	28%	28%	30%
Over 20 years	1%	2%	3%	6%	7%	7%
<b>HIS: H</b>						
1–11 months	100%	100%	41%	37%	64%	53%
1–3 years			59%	63%	36%	35%

Figure 4.11 Length of Tenure - Report B

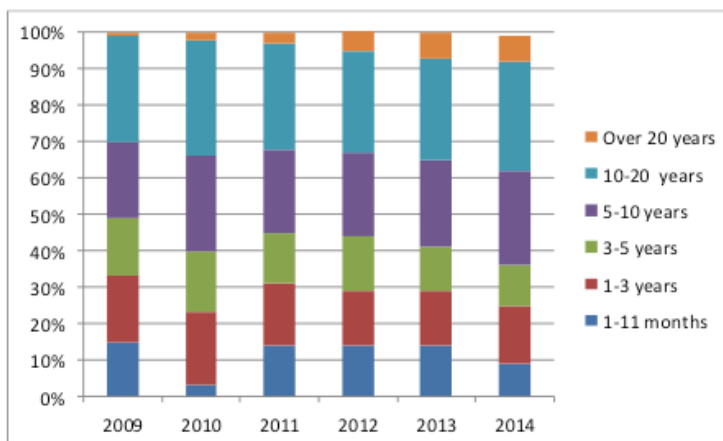


Figure 4.12 Length of Tenure - Report C

**Our House Tenants are increasingly staying for longer periods of time**

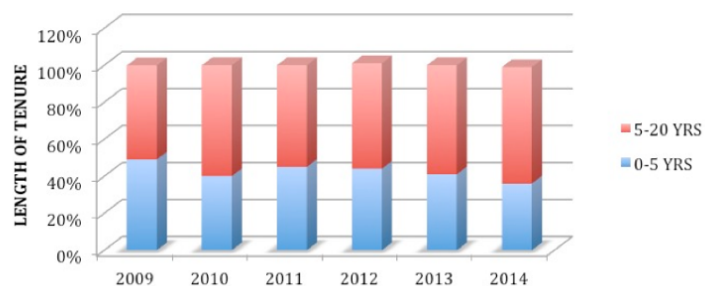


Figure 4.13 Length of Tenure - Report D

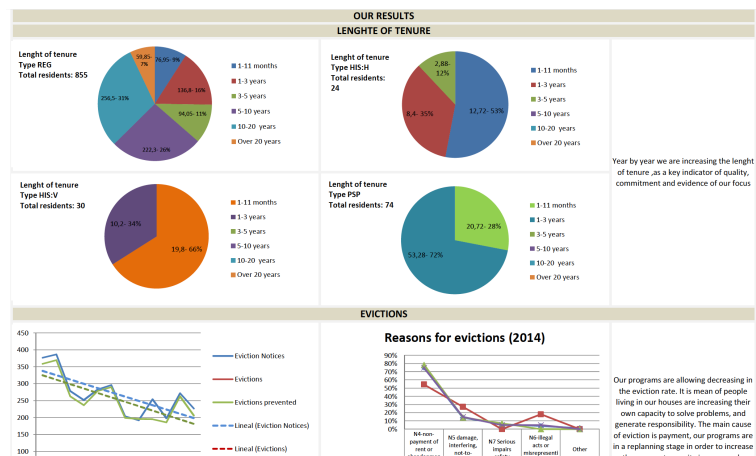


Figure 4.14 Length of Tenure - Report G

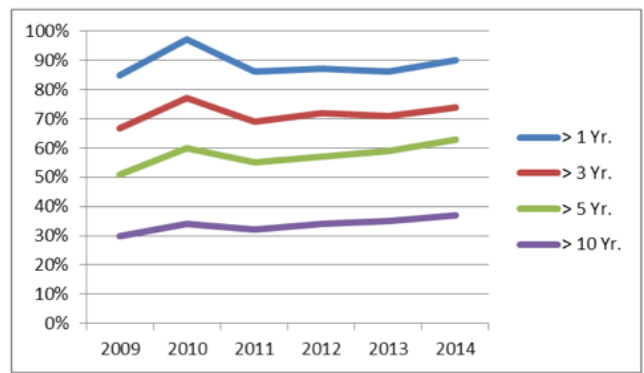


Figure 4.15 Cost savings in Report A



## 5. **Mattering users: the reasonable donor**

“The conditions for materiality are thus dependent on the needs of the mysterious, mythical man.” (Edgley, 2014, p. 8)<sup>49</sup>

Charities’ public disclosures fall short of the expressed information needs of donors (Saxton, Neely & Guo, 2014; Dhanani & Connolly, 2012; Gandía, 2011; Hyndman, 1990), but in experiments, when disclosures are available, donors make little use of them (Cunningham & Ricks, 2004; Karlan & Wood, 2014). Social impact information is costly to gather (Carman, 2009, 2010) and of dubious value to fundraising efforts (Karlan & Wood, 2014; Null, 2011; Small, Lowenstein & Slovic, 2007), but donors and academics alike continue to assert that charities should be accountable (Dhanani & Connolly, 2012; Saxton, Neely & Guo, 2014; Benjamin, 2012). Juxtaposition of the accountability ideals to which charities are held, and the scarce attention donors pay to information when charities provide it, presents a conundrum for materiality in charity reporting. What are materiality guidances to be based on if the audience they are intended for use the information in incoherent and counter-productive ways?

The question is further complicated by the performative nature of inscriptions and arrangements rendered in reports. Prior chapters have argued that materiality in accounting is a performative enactment of human and non-human actors in which the entanglements of matter and meaning iteratively and interactively produce further entanglements of matter and meaning (chapters 2, 3, 4). Prior research suggests that, rather than enacting pre-constructed static information needs, users attend to and weigh information differently depending on the inclusions, exclusions and arrangements of the information.

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<sup>49</sup> As other scholars have noted, this is not a peculiarity of accounting, but a product of the account (Messner, 2009; Shearer, 2002). The giving of an account is impossible without this mythical other: “After all when one gives an account of oneself one is not merely relaying information through an indifferent medium. The account is an act — situated within a larger practice of acts — that one performs for, to, even on an other” (Butler, 2005, p. 135). The account, which becomes a linguistic and social occasion for asserting a certain conception of what *is* social performance, must do so in response to an abstracted “other” who presumably is, or is constructed to be, interested in — as is having an interest or stake in — this sort of performance.

What sorts of guidance should be offered to preparers about materiality in charity reporting, given the theoretical position that the materiality materialized into standards will causally, but not deterministically, enact the ways that users engage with information?

This chapter endeavours to give a useful response to a question frequently asked by practitioners: “given what you say about materiality, what do you recommend we *do*?” Three chapters prior to this one have sought to theorize and understand how things come to be material, but have shed no light on the question of what should be (and need not be) disclosed. Yet, the study was motivated by the urgent need to inform the articulations of materiality of social performance measures that accountants and charity practitioners are actively seeking answers to (chapter 1). The purpose of this chapter is to bring, as much as possible, the theory down to practice.

I first address the accounting supposition that materiality ought to be based on the economic decisions of users, and that the social performance of charities ought to be subject to the same tests as any other non-financial disclosure (Salterio & Legreasley, 2011; Hyndman, 1990; also Edgley *et al.*, 2015). I review research on how actual donors use and respond to information in charity reports. This literature is drawn from the fields of economics, psychology, marketing and non-profit studies. I show that the actual behaviours of ordinary users are not a sound basis upon which to develop materiality guidances because the empirical evidence is that the actions of real donors are incoherent and undermine public interest.

Second, I approach the problem as accounting standard setting has done, which is to substitute the incoherent real users for made-up idealized ones (Young, 2006). I draw on the work of a community of legal scholars (Couture, 2015; Rhodes, 2015; Hoffman 2006a,b; Huang, 2005) who embrace the made-up user as a policy tool for enabling more just markets. I argue that at issue in Young’s critique is less the artifice of the faux-user and more the particular artifice chosen — *homo economicus*. I conclude that *if* materiality standards are performative, as I theorized they are, then the value of a made up “reasonable door” rests not in accurate depiction or representations of ordinary users, but in the production of a fairer



society. The result is a twist on the user-based approach that takes its legitimacy not from empirical studies of what actual users find material (e.g., Messier et al., 2015) but in the behavioural and distributional consequences of the policy. I argue that given the performativity of materiality the concept of “making up users” must be resurrected from Young’s (2006) searing critique, but that the made-up user be deployed (and empirically examined) as a phronetic policy tool (Flyvbjerg, 2001), rather than as a proxy for real users.

Thirdly, I answer the question very practically by reviewing practitioner documents to identify the models that idealized impact-focused donors (supposedly) use and what would be material to them. This approach is similar to that taken by FASB, as described by Young (2006). The practitioner documents were identified drawing on the samples of two prior papers (Adams, 2015; Maas & Liket, 2011), as well as my own search for documents to update their lists. It is worth re-iterating that these models do not describe actual donors and that, under the assumption of performativity of materiality, they are the “correct” materiality guidances only if they achieve the policy objectives of tax-incentivized charitable organizations and philanthropic giving.

The paper concludes with a brief discussion of materiality in advertising law. This section is included in answer to the oft-raised concern that charity social performance results are intended to persuade and sell (Chang & Lee, 2015; Edwards & List, 2014; Shanahan & Hopins, 2013; Bennet, 2009), rather than inform. The concern is that it is a wrong-headed to approach charity social performance reports as if they are accounting reports when they are really more like advertising brochures. I show that omissions and misstatements in advertising fall under false advertising regulation and that the courts bring accounting-like definitions of materiality to bear on those omissions and misstatements. I argue that if considered under the purview of advertising law, the materiality standards for charity may in fact be more stringent than under accounting. The purpose of this section is not to fully elaborate materiality in false advertising law, but simply to note that dismissing charity reports as advertising does not avoid the need to interrogate the materiality of omissions and misstatements.

The chapter makes three main contributions. It proposes an answer to the question “when is an omission of social impact information on a charity disclosure a material omission?” As far as I am aware, this is the first study to do so and I believe it a useful and necessary exercise toward a better charity reporting environment. However, throughout the chapter, I emphasize that the guidance I propose is a product of normative theories and idealized donor behaviour. Its merit rests not on a claim to truth but on the unanswered question, would materiality guidelines based on this made-up “reasonable donor” make the funding of the charitable sector, and distribution of resources in society, more just?

Second, the study rehabilitates the made-up user as an approach to standard setting in the public interest. The made-up user, as a normative standard upon which (relatively) objective materiality judgement can be made, can draw on the best elements of stakeholder approaches, while overcoming some of the limitations to it. The methods proposed here can be applied in contexts where performance measures are incommensurable (such that it is not possible to express one as a percentage of another, as in 5% of net income), where real-life users are known to be impulsive (Bennett, 2009) and irrational (Västfjäll, Slovic, Mayorga, & Peters, 2014), and where affective and moral reasoning are likely to figure into decision-making (Xie & Bagozzi, 2014). I offer the made-up user as a public-interest-oriented solution to materiality given that challenges to materializations in contexts where the relevance of categories and evidence is entity-specific, and given materiality may be constitutive of public interest.

In other new standard-setting arenas, particularly corporate ESG disclosure and Integrative Reporting, guidance writers have been loath to depart from empirical evidence of actual user behaviours, embedding surveys of stakeholders (SASB) or regular stakeholder engagements (GRI) into the reporting and standard-setting process<sup>50</sup> (Glac, 2013; Cohen, Holder-Webb, Nath & Wood, 2011; Deegna & Rankin, 1997). This study points to some limitations of the user-based approach to materiality guidance,

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<sup>50</sup> ESG: Environment Social Governance; GRI: Global Reporting Initiative ([globalreporting.org](http://globalreporting.org)); SASB: Sustainability Accounting Standards Board ([sasb.org](http://sasb.org)); <IR>: integrated reporting. ([integratedreporting.org](http://integratedreporting.org))

namely the lack of coherence, consistency and comparability across reports, the challenges of enforcement and the assumptions that the behaviours of average ordinary users aggregate to the public's best interest. A made-up user may be an attractive alternative.

Finally, the study further elaborates the value of materiality as a central concept in non-financial accounting (Edgley *et al.*, 2015). By focusing on materiality, this study is able to address when disclosures are *enough*. This question envelops decision-usefulness and accountability (Dhanani & Connolly, 2012) objectives of disclosure; addressing the cost and information overload constraints in decision usefulness and the limits of accountability (Messner, 2009; Roberts, 2009). Because materiality is pervasive and transcends jurisdiction (advertising/accounting) it is an appropriate lens for reports that sit somewhere between advertising and accounting.

### Real donors, their information needs and giving behaviours

The economic choices of users have been and continue to be central to accounting's definition of materiality (Brennan & Gray, 2005). IAS 1 states “[o]missions or misstatements of items are material if they could, individually or collectively, influence the *economic decisions* that *users* make on the basis of the financial statements” (IAS 1, para 7). Since the 1970s, accounting scholarship has considered the economic responses of users to be an empirical question such that materiality judgments of preparers and auditors are, or ought to be, predicated on evidence of how actual users actually respond to disclosures (O'Connor & Collins, 1974; Jennings, Kneer & Reckers, 1987; Tuttle, Collier & Plumlee, 2001; Messier, Martinov-Bennie and Eilifsen, 2005; Young, 2003). (Although, the decisions of users have proven elusive to accounting scholars (Messier, Martinov-Bennie and Eilifsen, 2005; Holstrum & Messier Jr, 1982).)

Basing the disclosure requirements of charity social impact reports on the demonstrated economic decisions of actual users would produce some peculiar policies indeed. Although there is considerable evidence that donors respond to signals of integrity, such as star-ratings (Wong & Ortmann, 2015; Sloan, 2009; Gordon, Knock & Neely, 2009; Feng, Neely & Slatten, 2016), certain financial metrics (Tinkelman,

2009; Tinkelman & Mankaney, 2007) and quantity of disclosure (Saxton, Neely & Guo, 2014); and although, when asked, donors say they want information about programs and services and the impact of charity work (Hyndman 1990), there is little evidence to show individuals *ever* make donation decisions based on information on social performance.

In experimental settings where donors are given performance information to look at, participants respond to anecdotal evidence more than statistical evidence (Das, Kerkhof & Kuiper, 2008) and in fact become insensitive to numeric evidence in the context of an affective response (Hasford, Farmer & Waites, 2015). Other studies have found donors opt not to ask for (Buchheit & Parsons, 2006) or pay for (Null, 2011) additional information on charity effectiveness. A survey of high-net-worth donors (Household income >\$200K) by Hope Consulting (2010) found that most don't look for any information before making a donation. If materiality guidances were based on these findings, social performance information would always be immaterial.

Other studies have found not indifference, but that simply the presence of numeric information on effectiveness *decreases* giving among donors. In field experiments, donors who had previously given a small amount (less than \$100) gave less when offered a single sentence with a statistical claim about effectiveness. Donors who had previously given a large amount (over \$100) increased giving (Karlan & Wood, 2014). Karlan & Wood (2014) explain their findings in terms of “warm glow” donors and “altruistic” donors (Andreoni, 1990). Donors motivated by a “warm glow” — defined as the good feeling one gets from having done a nice thing — give less money to many charities, but are susceptible to the emotion-dampening effect of numbers; while altruism-motivated donors — a desire to do good for good's sake — give more to fewer charities and are motivated to give more when presented with evidence of impact. However, the overall effect was a decline in giving. This study has unclear implications for materiality because the *presence* of numeric information on effectiveness affected economic decisions,

but the magnitude of the number was unrelated to the direction (give more or less) of the economic action.

Donors give less if they are invited to think deliberately about their giving rather than emotionally (Small, 2011; Small *et al.*, 2007; Dickert, Sagara & Slovic, 2010). With calculating comes a decline in generosity and altruism. A key factor in psychic numbing is that “people can move from valuing outcomes of donation decision in a primarily “hot: emotional way to primarily a ‘cold’ calculating way” (Huber, Van Boven & McGraw, 2011, p. 181), the emotional disengagements are mitigated by the donor’s numeracy (Dickert, Kleber, Peters, & Slovic, 2011). In experiments, mood management and empathetic intensity predict if and how much a donor will give, unless the donor has been primed with calculative questions (Dickert *et al.*, 2010). Again, based on this research, the presence of *any* number on social performance no matter how big would have the identical effect on economic actions. This is inconsistent with the idea of materiality as accountants use it, which is predicated on the idea that information is informing a deliberative thought process. Accounting materiality does not contend with the possibility that a particular type of disclosure toggles users between different modes of processing.

When donors do use numeric performance information, they do so in peculiar ways. They weigh easy-to-evaluate metrics more than ones that require greater effort (Caviola, Faulmüller, Everett & Savulescu, 2014). Donors give more generously to single identifiable victims than to large numbers of victims (Small & Loewenstein, 2003; Slovic, 2007; Genevsky, Västfjäll, Slovic, & Knutson, 2013) unless they perceive the large number as entitative — comprising a single coherent unit, like a family (Smith, Faro and Burson, 2013; Västfjäll *et al.*, 2014). “When lives are at stake, feelings necessary to motivate lifesaving action may peak at  $N=1$  person. Attention, feelings and response may begin to decline or fade at  $N=2$ , eventually collapsing at some higher value of  $N$  that is perceived as merely ‘a statistic’” (Västfjäll *et al.*, 2014, p 7). Based on these findings, disclosing the number of people the charity will help could be material, so long as the number is small, but at some number of victims, even massive overstatements would be immaterial.

Many studies find no role for performance information (social, financial or otherwise) in giving decisions (Sargeant, 1999), focusing instead on pro-social propensities (de Oliveira, Croson & Eckel, 2011; Xie & Bagozzi, 2014), whether donors were asked (Kogut & Ritov, 2011) and/or their own personal connections with a charity (Van Slyke & Brooks, 2005). There are patterns to these personal connections; those donors who give the largest donations tend to have personal encounters with certain types of charities, and those charities don't tend to be human welfare charities serving the poor. Nation-wide, donations tend to flow to charities attended by the rich, such as museums and elite schools, rather than those serving the needy. Dollar-wise, donors are not simply choosing relatively less effective charitable programs over relatively more effective ones, but systematically choosing to fund arts and culture over human welfare. In the US in 2014, only 25% of all giving went to causes dedicated to the needy or marginalized (human services, international aid and other social benefit) (Atlas of giving, 2015 p. 9). In Canada in 2010, only 11% of charitable dollars went to social service charities, even though approximately 40% of donors gave to such charities (Statistics Canada, 2010).

“As a rule, social welfare nonprofits receive smaller average donations than organizations in other areas, such as education or the arts... One way to illustrate this point is to look at the ratio of the average donation size to the number of donations (in millions) in different nonprofit subsectors. Nationally, in 1995, this ratio was 103 for arts and culture nonprofits...but just 14 for social welfare organizations (Brooks, 2003).” (Brooks, 2004)

The point is not to critique arts charities, but to highlight the real-life consequences of the giving without attention to information, namely substituting impulse, emotion, personal relationships and personal experience for thoughtful deliberation. Even though most people think of the disadvantaged when they think of charity — Google defines charity as “an organization set up to help and raise money for those in need,” and an academic article states that charities “represent, speak and act on behalf of marginalized communities who lack the power to influence the wider constituents of society” (Dhanani & Connolly, 2012, p. 1144) — giving data suggests that only about a tenth to a quarter of donations are given to charities serving marginalized groups.

There are real consequences to poor donation decision-making, but the donor doesn't face them. When a donor gives to an ineffective charity, it is a missed opportunity to fund a more effective charity (one donation displaces another (Reinstein, 2011) and additional funding is unlikely to make an ineffective program effective (Metzger & Günther, 2015)). Thus, the people that bear the risk of poor giving decisions are the recipients of charity who receive relatively less service or services of lower quality. Scholars are disheartened by the findings:

“The results bode ill for efficiency of resource allocation across charities.” (Null, 2011)

“A startling level of inconsistency and inefficiency in the way donations for charity are raised and allocated to needy recipients.” (Oppenheimer & Olivola, 2011, p. xiii)

“[Inefficiency of charitable giving] is disturbingly high ... at all thresholds there is still a long tail of inefficient organizations that have close substitutes.” (Budak & Rao, 2016)

“[a] perverse phenomenon ... has implications ... for the welfare of society (Västfjäll *et al*, 2014).

Based on this evidence, the average donor could be accused of using “irrelevant or misleading” information, and deemed “not competent to determine what information is most useful to them.” These are claims the American Accounting Association used to describe accounting users before dismissing them in favour of a mythical, idealized, highly sophisticated rational user as the basis for standard-setting and materiality judgements (Young 2006).

In the next section, I argue in favour of a similarly mythical “rational donor” in order to articulate materiality of social impact disclosures by charities. My argument involves a re-interpretation of Young (2006)’s Making Up Users, in which I strive to uphold the essence of her critique, but argue the problem that she and others have identified with contemporary accounting standard-setting is not the *absence* of real users (Young, 2006; Jonas & Young, 1998), but rather the *specification* of the made-up user as *homo economics*. I echo earlier critiques of accounting’s *individualistic* neoclassical approach (Puxty & Laughlin, 1983; Williams, 1987; Young, 2006) and contrast this with the more *public interest* approach

found in legal journals. I show there are advantages to specifying a single ideal user, and that the specification can be used to further public interest objectives, such as equality and fairness.

### In support of making up users

In *Making Up Users*, Young (2006) describes how an increased need for uniformity in the 1960s resulted in American accounting bodies<sup>51</sup> adopting the now prevalent decision-usefulness approach to accounting policy, which they based on the information needs that economic theories prescribed for cash flow maximization, rather than actual information needs of flesh and blood users, who standard-setters assumed were too diverse and incomprehensible for coherent policy. The absence of *real* users seemed to discredit standard-setting choices made under the guise of decision-usefulness.

Mid-century materiality judgments were under the same pressures as accounting more generally. Public sentiment was swinging back toward greater uniformity (Bernstein, 1967), which set accounting on a path of specifying a precise user in whose interest a consistent, coherent and uniform accounting policy could be developed (Young, 2006). With a brilliant, if unintended, double-entendre, Hicks (1964) foreshadows the eventual departure from select “flesh and blood” experts to an “idea or type” (Young, 2006 589):

“Who is this beholder, or prudent man, or reasonable person? We must identify him, for our materiality decisions ultimately depend upon how we perceive him. In effect, we have to *assume his position* in order to judge how financial statements or particular items therein will influence him. At best, this is no easy task” (Hicks, 1964, p. 159, emphasis added).

At the heart of Young’s (2006) critique is that the user-based approach does not reflect actual flesh-and-blood users. She cites prior work that laments the absence of “systematic study of user decision

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<sup>51</sup> The following were involved: American Accounting Association (AAA), American Institute for Chartered Professional Accountants (AICPA), Accounting Principles Board (APB), Financial Accounting Standards Board (FASB).



models and needs” (Agrawal, 1987, p. 175), noting an “embarrassment when users do not participate in its process” (Miller, 1990, p. 31). She describes it as an “irony” that “little is known about the relationship between users and financial statements,” and how “normative assertions” replaced “interactions with “flesh and blood users” (all cited in Young, 2006, p. 581). The accounting profession agreed that actual users were desirable: “Ideally more should be known about what does and should affect their decisions...As more is learned about external users, . . . and as their decision models are refined and become better known, accounting theory and practice will change” (ASOBAT, 1966, p. 19, quoted in Young, 2006, p. 589). Neither Young nor the accounting profession seemed willing to tout the advantages of a “made up” user approach to uniformity and consistency.

Conflated in Young’s critique of the fictional user is *who* accountants chose as their user and *why*. *Homo Economicus* is narrowly focused on maximization of net present value of future cash flows. The user was chosen on an assumption that social welfare follows from individual wealth maximization: “Clearly, what is being suggested here is a criterion for accounting information which will directly benefit the *individual user* and hence, through the workings of an efficient capital market, lead to economic and therefore social welfare” (Puxty & Laughlin, 1983, p. 545; emphasis in original).

The legal arguments below take a subtly different approach. The legal scholars cited below also presume that the user in whose name materiality judgments are made is fiction, but they see this individual as market-enabling in the public interest. Made-up investors can be defined and deployed to pursue public policy aims without pretense of empirical truth. The legal treatment of materiality is particularly relevant given FASB’s recent (September, 2015) proposal to defer the definition of materiality to the US Supreme Court:

Materiality is a legal concept. In the United States, a legal concept may be established or changed through legislative, executive, or judicial action. The Board observes but does not promulgate definitions of materiality. Currently, the Board observes that the U.S. Supreme Court’s definition of materiality, in the context of the antifraud provisions of the U.S. securities laws, generally states that information is material if there is a substantial likelihood that the omitted or misstated item would have been

viewed by a *reasonable resource provider* as having significantly altered the total mix of information (FASB, 2015, p. 3, emphasis added).<sup>52</sup>

### **Made-up users in law:**

The law scholars that I draw on in this section are clear that this reasonable resource provider does not represent real users. It is a “metaphor ... that enables us to understand securities markets better than without such a metaphor” (Huang, 2005, p. 111). Similar to notions of materiality articulated by accountants (Edgley, 2014), legal scholars see materiality as a balancing act of information quantity, enough to inform, but not so much as to obfuscate with triviality or overburden with cost (Couture, 2015; Rhodes, 2015; Padfield, 2007), and also balancing between individual responsibility with government oversight (Black, 2012). The role of the made-up investor is to articulate this balance for the purpose of market coordination so that “speakers and investors are both aware of this they can coordinate their behavior accordingly” (Couture, 2015, p. 509; also Black, 2012). Based on the literature I reviewed (all articles with materiality in the title, published in a law journal, since 2006, listed in Appendix D), argumentation is around the specification of the user focused on creating and enabling a fair and honest, predictable market, not wealth maximizing decisions (Rhodes, 2015).

Articulating the made-up investor creates a normative bar for relatively objective materiality tests (Rhodes, 2015, p. 2012, 2026; Couture, 2013, p. 78). The approach consciously and intentionally constructs the very thing Young (2006) critiqued “a particular viewpoint about what financial statement

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<sup>52</sup> Under the Ontario Securities Act, the definitions of “material fact” and “material change” are based on a market impact test.” (Quebec uses a reasonable investor test). Despite these differences, the two materiality standards are likely to converge, for practical purposes, in most cases. “On March 19, 2013, the Ontario Superior Court of Justice (Divisional Court) released its judgment in *Cornish v. Ontario Securities Commission*, on appeal from a decision of the Ontario Securities Commission (the “**Commission**”) issued September 28, 2011. This case provides greater insight and certainty into the meaning of “material change” and the obligations of reporting issuers when such changes occur. ... The court clarified that the appropriate test to be applied in determining materiality is the “market impact test,” which considers what effect certain facts, events or developments would reasonably be expected to have had on the market price or value of Coventree shares.” <http://www.canadiansecuritieslitigation.com/cornish-v-ontario-securities-commission>

users should be like” (Young, 2006, p. 594). It essentially “transforms materiality from a requirement that reflects ordinary behavior” to “a legal incentive toward cognitive diligen[ce]” amounting to “a duty” to behave like the archetype (Hoffman, 2006b, p. 594). In fact, this normative position is part of the “policy objectives” behind the “reasonable investor”: it is indeed an assertion about how investors *ought* to behave: “[the] courts apparently believe that if we treat investors like children, nitwits, or rubes, they will act that way” (Black, 2012).

As a policy tool, the made-up users also have distributive consequences (Sachs, 2006; Heminway, 2009); its specification determines, in part, how accounting and law adjudicate wealth distribution (Tinker, Merino & Neimark, 1982). In critiquing the existing mythical reasonable investor and proposing others (underclass investor, moody investor, moral investor), legal scholars make reference to actual users, but the eye is on the fairness of the market. In the quotes below, the reasonable investor is not critiqued for lack of realism, but for the effect the interaction between real users and the archetypal user has on fair markets. (Note also that the “reasonable investor” is a composite of profiles: rational, speculative and sophisticated.)

The “reasonable investor” standard may not provide the best method of investor protection. The conceptualized “reasonable investor” includes several investor profiles: the rational investor, the speculative investor, and the sophisticated investor. Yet, these profiles suggest a lack of protection for a less sophisticated investor—an investor who lacks strong financial literacy.” (Rhodes, 2015, p. 2026, her footnotes are removed)

Professor Sachs is specifically concerned with the impact of the materiality standard in securities fraud litigation on what she terms “underclass investors,” such as the elderly, immigrants, and others with limited financial literacy. She asserts that these market participants deserve protection when they invest in inefficient markets and that the reasonable investor standard will not afford them that protection. (Heminway, 2009, referencing Sachs, 2006)

Moody investing<sup>53</sup> means that the United States Supreme Court and lower courts should rethink their answers to what it means to be a reasonable investor and what it

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<sup>53</sup> Moody investing “refers to investing that is (at least, partially) non-cognitive.” (Huang, 2005 p 103). Huang elaborates: “Traditional finance assumed unbounded rationality of cognitive investing, while behavioral finance focuses on the bounded rationality of cognitive investing.”<sup>13</sup> The phrase “moody investing” stands in contrast to

means for information to be material. ... To be clear, this Article does not argue that everybody always engages in moody investing.... The important point for legal policy is that securities issuers, brokers, and other professionals can generate such environments by their disclosures, advertising, and other attempts to persuade investors. (Huang, 2005, pp. 100, 128)

Scholars have proposed the underclass investor (Sachs, 2006; Heminway, 2009), the moody investor (Huang, 2005; Hoffman, 2006a; Padfield, 2007) and the moral investor (Couture, 2015). These constructs are all compatible with parts of the existing reasonable investor, and contradictory to other parts. In arguing for a particular made-up user, the scholars focus on the achievement of fair markets based on the interaction of real users and the single archetypal standard, where the single archetype can be several things, such as moody, moral and sophisticated (Heminway, 2012). In the next section I follow the approach of these scholars and articulate a reasonable donor, with an eye not to a realistic description of ordinary donors, but toward fairer charitable giving.

### The reasonable donor

To answer when an omission is material in charity social impact reporting, based on the test of the needs of a reasonable donor, a reasonable donor must be constructed and his or her information needs defined. Similar to the processes used by American Accountants, described by Young (2006), a sizeable body of scholarly work on charity effectiveness (Forbes, 1998; Herman & Renz, 1997, 1998, 1999, 2008; Sowa, Selden & Sandfort, 2004; Liket & Maas, 2013) has contributed to a well-agreed list of information that donors *ought* to need to select effective charities (Liket & Maas, 2013; Dumont, 2013; Dhanani & Connolly, 2012, p. 1146; Salterio & Legresasely, 2011; Saxton & Guo, 2011; Connolly & Hyndman, 2004; Hyndman & Anderson, 1995). Liket & Maas (2013) found there was close alignment between

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cognitive or non-moody investing. There is experimental evidence of systematic differences between two psychological processes that people utilize to construct their preferences, namely valuation by calculation and valuation by feelings” (p. 102).

scholarly work and the views of sophisticated donors (mostly professional grant-makers) and charity managers.

In this section, I describe the reasonable donor based on the grey literature that circulates among professional grant-makers regarding materiality of omissions. Practitioners and funders have prepared hundreds of guidances on how to measure and report social results, of varying degrees of quality and originality.<sup>54</sup> Adams's (2015) attempt at an exhaustive list reached 517 documents and guidances, inclusive of corporate CSR approaches, which distilled to only 24 different approaches to measuring and reporting social impact when overlaps and repetitions were removed. Even these 24 are quite insular (Morley, N.D): they cite each other; several people were involved in more than one guide; the executive directors of several of the authoring organizations serve on a board together<sup>55</sup>. Mass & Likert (2011) undertook a similar process with different objectives and arrived at a list of 30 different approaches. I combine these lists, removing guidances not applicable to charities, and update it to include guidances issued since 2015. Methods are provided in Appendix E.

It is worth re-emphasizing that these documents do not describe the information needs of actual users of annual reports. Firstly, they are written for or about a specific type of donor: professional grant-makers (foundations and government bodies) and high-net-worth "impact donors" who typically receive custom-tailored reports from the charities they fund, not general-purpose annual reports. In grey literature they describe themselves as practising "high impact philanthropy," "effective philanthropy," "venture philanthropy" or "strategic philanthropy."

High impact philanthropy is characterized by the following: A focus first on achieving social impact – i.e., a meaningful improvement in the lives of others (vs. other concerns such as maximizing the funder's tax benefit or honoring a funder's loved one). Leveraging the best available evidence in identifying problems and developing

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<sup>54</sup> For example, the UNEP's 68-page Toolbox for Analyzing Social Ventures spans the process designing and assessing effective interventions. On the two pages on measuring social results, it recommends use of the balanced scorecard.

<sup>55</sup> The author is also on the same board.

solutions. Linking considerations of cost and impact to understand where the best ‘bang for buck’ lies. (UPenn Center for High Impact Philanthropy, What is impact philanthropy?<sup>56</sup>).

“Effective” philanthropy is philanthropy that has impact. It is philanthropy that succeeds at amassing, managing, then allocating financial and human resources in ways that have the greatest positive impact in the sectors that foundations choose to fund. ([www.effectivephilanthropybook.org/concepts/effective.html](http://www.effectivephilanthropybook.org/concepts/effective.html))

Second, these documents described an idealized model of granting, not actual decision-making (Benjamin, 2010; Carman, 2009; Frumkin, 2006; Brest & Harvey, 2008). Research has found that often idealized decision-making processes are supplanted by factors like interpersonal relationships (Tassie, Cutt, Murray & Bragg, 1996), and charity reputation (Carman, 2009, p. 87), and that social performance information does not weigh as heavily in granting decisions as stated or implied (Campbell, 2003, p. 244) by the idealized models.

To sum, I am reviewing idealized models written for or about a sophisticated donor or grant maker and I am using these idealized models to identify the information needs of a made up reasonable donor upon which materiality guidelines for *public disclosures* to *ordinary donors*.

### **Relevant elements of a report**

Performance measurement and evaluation literature has theorized and documented how charities think about social impact in order to be impactful and to measure impact. A central concept in academic and grey literature is the impact value chain (Clark, Rosenweig, Long & Olsen, 2004) (Figure 5.1) sometimes referred to as the theory of change or logic model (Chapter 4). It is comprised of inputs, activities, outputs and outcomes, extending to longer-term, community-wide “impacts” in some versions. “Results” consists of outputs, outcomes and impacts.

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<sup>56</sup> Retrieved November 15, 2016 from: <http://www.impact.upenn.edu/our-analysis/what-is-high-impact-philanthropy/>

Broadly speaking, the reasonable donor is interested in the main elements of the impact chain — outputs (program capacity and volume) and outcomes (including intended and unintended, and relative to targets) are relevant performance information.

“It is essential that the VPO/SI [Venture Philanthropists / Social Investor] works with the SPO [social purpose organization] to develop an impact monitoring system. ...The expected outputs, outcome and impact, and the corresponding indicators should be defined before the investment is made.” (A practical guide to measuring and managing impact, EVPA p 14 – see Appendix E)

Demonstrate recent progress toward your long-term goals by describing how your near-term objectives are propelling your organization toward your ultimate intended impact. Go beyond the outputs of your work to make clear how these outcomes are contributing to fulfilling long-term goals. (Charting Impact, Guidestar – see Appendix E)

Of all the documents I reviewed, the only quantitative thresholds for assessing when omissions of value chain elements are material are found in the method section of a 2010 study by New Philanthropy Capital (NPC) that scored the public disclosures of 20 of the top 100 UK fundraising charities. These were not intended to be a materiality guideline, but since they are the only quantitative thresholds offered, and since they were set by an organization that meets the definition of a reasonable donor (its mission is to “help funders and charities to achieve greater impact”), I consider how they inform the question of when an omission would be material to a reasonable donor.

“[A report] must give a clear idea of what the charity has done this year, and where it has done it, meeting these conditions: i) the majority of outputs relate to the charity’s mission-related activities; and ii) the outputs relate to the majority of the charity’s mission-related activities or to the majority of charity’s expenditure.

Outcomes [should be] given for the majority of the charity’s activities [...] or for fewer than half of activities but these represent more than 50% of total expenditure. (Talking About Results, NPC pp. 19, 20 – See Appendix E).

The quantitative threshold is set in relation to the number of activities and total expenditure. For both outputs and outcomes, NPC considered it sufficient for a charity to disclose outputs and outcomes for the majority of its activities, or for a minority of activities so long as a majority of the charity’s annual expenditure was spent on those activities. It follows, therefore, that an omission is only material if outputs and outcomes for over half the charity’s activities (or those that consume over half the charity’s expenditure) are excluded from the report. Half may seem like a very low bar (one cannot imagine a for-

profit organization disclosing income for only half the business segments), but as NPC notes, two out of the 20 charities (all among the largest 100 UK fundraising charities) did not meet this bar with respect to outputs, and 14 did not meet it with respect to outcomes (Talking About Results, 2010, p. 7).

The 2010 NPC study applied the same threshold to outputs and outcomes but more recent texts suggest that sophisticated donors hold outcomes to different standards. Premised on the idea that the most material categories are those that managers can use to improve impact (discussed below), the quote below suggests that materiality thresholds should be higher-than-half for outputs and lower for longer-term and indirect outcomes.

Nonprofits deliberately prioritize performance measurement, focusing on outputs and direct effects rather than indirect or longer-term effects. ... they did not see an operational benefit to measuring beyond outputs and outcomes in an attempt to quantify their ultimate longer-term impact. (Beyond Compliance, Center for High Impact Philanthropy, p. 8 – see Appendix E)

Output data, necessary for performance *management*, is material because it is useful to non-profits; as such, it should be provided for all activities. Outcome data, however, becomes less material as it becomes less immediate and less direct and less useful for managers. The guidances identify qualitative factors to be considered when assessing if the omission and misstatement of *outcome* data is material. The following quotes suggest that a reasonable donor would find performance information pertaining to small activities (little expenditure) material if management was intending to expand the activity or if the activity was new, risky or recently redesigned such that there is not a strong body of evidence to support causal relationships between activity outputs and outcomes. Conversely, outcome measures for a large program could be immaterial if the charity's strategy is unchanged and if the benefits of such programs are already well supported with evidence.

Leaders who plan to expand significantly any programs aimed at improving outcomes have a special obligation to commission a rigorous evaluation that can assess net impact. (The Performance Imperative, Leap of Reason, p. 13 – See Appendix E.)

“...tailor reporting requirements to... the state of current evidence. ...When there is already strong evidence supporting an approach, further measurement may be



redundant (Beyond Compliance, Center for High Impact Philanthropy, pp. 4, 12 – See Appendix E).

Communicate a level of detail about your impact that is proportionate to the size, scope and risk of the work. (Code of Good Impact Practice, Inspiring Impact, p. 10 – See Appendix E).

Overall, the practitioner documents suggest that the elements of the impact value chain are material to all charities (namely, relevance), but that it is not necessary to measure and report on the outputs and outcomes of all activities. A starting quantitative guideline was offered by NPC (for their own report scoring purposes) at half activities, by number of activities or expenditures. Based on usefulness to management, outputs should perhaps have a higher threshold and outcomes a lower one. Qualitative factors suggested that measurement and reporting is more material for outcomes of activities that are riskier, less studied, new or soon to be expanded.

### **Material Categories**

The impact value chain does not specify which categories of performance information should elaborate the outputs, outcomes and impact. However, it is possible to define the *types* of social performance that should be disclosed by all charities (Sowa, Selden & Sandfort, 2004, p. 716; Kearns, 2010, p. 201; Moore, 2003).

The various methods and tools that have been developed measure charity performance indicator categories, either directly or indirectly, or the process for choosing the categories. Some approaches specify a set of high-level categories to be measured and reported, leaving the specific entity to flush out the details. Examples of these are The Sustainable Livelihoods Framework, which specifies that human welfare charities should consider well-being in terms of five “assets” — financial, social, human, physical and health — and The BOP Impact Assessment Framework, which specifies economic, capability and

relationships within markets.<sup>57</sup> Other approaches avoid even specifying high-level categories, and instead specify a process for determining categories. Examples of these are methods based on logical framework analysis, which determine materiality of categories based on alignment with the charity’s mission, and stakeholder-led approaches, which use stakeholder input to select the categories that are most material to the entity based on the effects (and absence of effect) of the charity’s work on the lives of beneficiaries (Carver, 1997; Miller, 2002; Behnh, 2001; Sowa, Selden & Sandfort, 2004; Saxon & Guo, 2011; Hall, 2012). Guided by a Logical Framework approach, a charity focused on incentivizing savings would select categories related to changes in financial assets of beneficiaries, ignoring other categories such as social, human, physical and health assets. Guided by stakeholder approaches, material inclusions would be those categories that matter most to stakeholders.

There is tension in the determination of material categories. Measuring and reporting of unintended impacts in according to a prescribed set of categories, as recommended by the sustainable livelihoods approach, can be expensive in time and resources. Relying solely on categories as selected by stakeholders can result in inconsistency from year to year. Limiting categories to those intended by management risks overlooking unintended impacts and failing to be responsive to stakeholders.

There is no reconciliation of these approaches in the grey literature. The closest they come is to recognize that information must be balanced with the costs of measuring and reporting; namely, that measurement and reporting should be “proportional” and “intelligent” (Measuring Impact, Social Impact Investment Group, See Appendix E) — they acknowledge that relying only on intended outputs and outcomes is near-sighted. At present the guidance is vague — categories should be stakeholder *involved* (The SROI Guide, p. 24 – See Appendix E), which suggests charity managers pay attention to, but are not

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<sup>57</sup> The Sustainable Livelihoods Framework: <http://www.eldis.org/vfile/upload/1/document/0901/section2.pdf>  
BOP Impact Assessment Framework: <http://wdi-publishing.com/roy/>

beholden to, the expressed interests of stakeholders. In the near-term, disclosing the approach taken would at least allow a user to identify how the categories were selected.

### **Evidence that is material to the categories**

In social performance reporting, the category “improved well-being of residents,” can be broken down into subcategories, such as health and outlook, each tied to specific indicators and measures, such as unscheduled emergency room visits and the degree to which the person agrees with the statement, “overall, things are getting better.”

There have been attempts to establish affirmative disclosures for charities based on subsectors. The Urban Institute’s indicator project identifies common outputs and outcomes for fields like homelessness, housing and education; so, for example, *occupancy of hospital beds* and *jobs placed* as outputs for health care and employment charities and re-admittance rates, jobs held for over six months as outcomes. With an affirmative list of indicators to be measured and reported on, any omission would be material. The lists are based on expert opinion, much like the made-up user, but they have consequences to the distribution of power. They shift authority over what constitutes good performance from beneficiaries to experts. An affirmative list by a third-party standard-setter shifts the conceptualizing of what it means to do good in the world away from management *and* stakeholders to an external standard-setting body. Even if the affirmative subsector list were created in consultation with stakeholders (as SASB attempts for corporate ESGI disclosures), stakeholder input is only infrequently incorporated into measurement and reporting.

The grey literature reviewed suggests that in fact reasonable donors do not demand affirmative lists of indicators and measures. They recognize that while prescribed or affirmative measures have advantages, too often they displace more relevant performance measures and reduce meaningfulness (“square peg in a round hole”) or are unfunded requirements that are not useful to the charities’ own performance assessment for control and learning purposes.

[Prescribed indicators are] useful for funders who want to measure the impact of the different organisations they fund through a common programme. It also works for membership organisations which can not only use the data as a complete set but also for geographical studies and benchmarking. However, it can limit the freedom of organisations to set their own indicators on top of those prescribed. This can end up with a situation where we try to fit a ‘square peg’ into a ‘round hole’ indicator. Also organisations need the appropriate resources to enable them to build in this measurement to their existing systems. (Social Impact Tracker, Community Interest Companies, 2011)

A similar problem occurs when materiality is based on usefulness to management. Documents on impact measurement written by or for sophisticated donors implied that the more material categories are those that managers use to improve performance.

[Selecting measures in partnership with management not only] accurately captures the organization’s desired social impact, but also hones (sic) in on the most relevant and useful metrics for the organization. This process can also result in key performance indicators (KPIs) that support decision making. (Four Key Best Practices for Social Impact Measurement, Pacific Community Ventures – See Appendix E)

[High performing charities] “take on the challenge of collecting and using information, not because it’s a good marketing tool, and not because a funder said they have to. They believe it is integral to ensuring *material*, measurable, and sustainable good for the people or causes they serve” (The performance imperative, Leap of Reason, p. 11 - emphasis added- See Appendix E).

As a reporting guidance on materiality, this is unsatisfactory. It must be interpreted either as specific to a particular charity’s actual management team, in which case the managers could declare a disclosure immaterial simply by declaring it unimportant to themselves; or, it is interpreted in the more general case of what “a reasonable manager” would need to manage for impact; which conflates the reasonable donor with the reasonable manager in a circular reference, or with reference to a set of rigid affirmative disclosures that shift power from beneficiaries and managers to standard-setters.

Better, it’s important to base materiality guidance and thresholds around processes rather than affirmative categories. Others orient around a process-based approach, where a method to arrive at the set of material items must be disclosed and without bias or error. In the absence of a prescribed list of indicators, the reasonable donor wants to know that the indicators reported are the most material ones. Typically, donors recommend that those who benefit from the service have an opportunity to influence

the indicators so that the things that matter most to them are being measured by the indicator. This could add a third quantitative threshold that, if surpassed, would make something material: number of beneficiaries who voiced the issue. For example, something like “supported by 40% of beneficiaries”.

### **Misstatements**

Up to now, I have focused on omissions and ignored misstatements. This is because when disclosures are sparse and selective (Dhanani & Connolly, 2012), material omission is of greater concern than misstatement. However, the guidances analyzed do occasionally make reference to misstatement.

The guidances suggest a high tolerance for misstatement at the level of outcomes and impacts.

Evidence can rarely provide a completely definitive answer ... by its very nature evidence is ‘partial, provisional and conditional’ (Pawson, 2006) – it may only be relevant to a particular context or time, however *rigorously applied the methodology*...at best, we might be able to say that the evidence suggests that a particular intervention is effective (or ineffective) in improving one or more specified outcomes. (Balancing Act: A guide to proportionate evaluation, NPC, p. 7 – See Appendix E)

“Reasonable evidence of impact is enough; don’t expect to find absolute proof.” (Inspiring Impact: The code of good impact practices, p. 10).

“Reasonable evidence” is outlined standards of evidence that specify the strength of a claim that can be made based on the evidence employed. To a reasonable donor, a material misstatement would be general claims of effectiveness and strong attribution (claiming the charity *caused* the observed change) beyond what can be supported by the level of evidence. Failing to disclose the method for gathering evidence or the level within the standards of evidence would be a material omission.

Charities often use estimates to make forward-looking statements of impact based on outputs and outcomes that have already occurred. As with most estimates, misstatement is expected (Measuring Success, See Appendix E). Consider how Robin Hood Foundation states the expected value high school education (no additional education) as

“Present discounted value of the following equation: [(XX participating high school students, adjusted, who enter high school as 9th graders) \* [(XX percent actual high school graduation rate) – (50 percent counterfactual graduation rate)] \* [(\$22,500

average earnings with a high school diploma and no further education) – (\$16,000 average earnings for a high school dropout and no further education)]]

The number of participating children is based on the actual number reported by our grantee. We base the 50 percent counterfactual rate of high school graduation for low-income, minority students on reports by the New York City Department of Education (2009) and corroborated widely in the research literature. We apply a 30 percent estimated average increase in the rate of high school graduation due to attendance in high-quality preschool based on the findings of well-known, gold standard longitudinal studies (a rough average across the high school graduation findings of the Abecedarian (Campbell & Ramey, 2010), Perry (Schweinhart et al., 2005) and Chicago (Reynolds, Temple & Ou, 2010) studies). We base our estimate of the impact of academic progress on earnings on Levin, Belfield, Muennig & Rouse (2007). To Levin's earnings data (excluding the white subsample), we add an estimate of fringe benefits. Based on data from our grantees, we estimate that 60 percent of low-income workers receive fringe benefits (averaging 20 percent of their wages). (Robin Hood Metrics, p. 15 – See Appendix E)

Robin Hood Foundation's forward-looking claims are based on historic data; for example, the number of high school students that participated in their program, plus relationships identified by prior research; for example, the impact of academic progress on earnings. Misstatements would relate to the accuracy with which those numbers were transcribed, and errors in calculation. They would not apply to the accuracy of the forward-looking claim. The forward-looking estimate is not a material misstatement if, with the benefit of hindsight, it proves incorrect.

### **Merits of this Reasonable Donor as a basis for Materiality Guidance**

This chapter answered the question, when is an omission of social performance information in a charity annual report a material omission, based on the idealized behaviours of certain donors (mostly professional grant-makers)? The relevant elements can be described by the impact value chain. An omission of output information is material if less than 50% of the total number of programs, or less than 50% of the total resource expenditure, have been accounted for. For outcomes, the numeric threshold should be adjusted based on qualitative factors, such as plans for expansion, poorly understood causal mechanisms and recent changes to the program that might affect its effectiveness. There is no prescribed set of categories and indicators that is material, but the process of selecting them is material and its omission is always a material one. There is a high tolerance for imprecision around claims of

effectiveness, but over claiming above the “standards of evidence” is a material misstatement. Forward-looking statements that turn out, with hindsight, to be incorrect are not material, but computational errors in forecasting might be material; no guidance is yet available.

The advantages of articulating materiality guidance based on a reasonable donor are that it is feasible and it appears sensible. It was feasible in that, unlike ordinary donors, there is — broadly speaking — consensus among scholars and sophisticated donors about 1) what makes an effective charity, 2) how donors ought to use social performance information to make giving decisions, and 3) how information demands are to be balanced against costs of gathering the information. It appears sensible in that these sophisticated donors have articulated a process that seems logical and likely to lead to more impactful giving, whereas the behaviours of ordinary donors are not consistent with impact-maximizing donations. Feasibility and sensibility, however, don’t make this approach “right”; what makes it “right” is the degree to which it achieves policy objectives (Gray *et al.*, 1997, p. 326).

It is crucial to reflect on the public policy implications of these materiality guidances. Two different scenarios have been articulated, which future research will need to untangle. One is that the reasonable donor is, and the inscriptions that get materialized because of them are, *performative* (Edgley, 2014; Couture, 2015): they create ordinary donors in their image (Hoffman, 2006b, p. 594). Ordinary donors need to be incited to deliberate before giving to overcome current giving dysfunctions (Västfjäll, *et al.*, 2014). More disclosure may lead to more deliberative thinking (Small *et al.*, 2007) and make it more likely that donors identify more effective charities (Small *et al.*, 2007) and adopt impact-maximizing judgment (Kvaran, Nichols & Sanfey, 2013). While there is risk that additional disclosures reduce giving (Karlan & Wood, 2014; Dickert *et al.*, 2011) or are simply ignored (Small *et al.*, 2007), it is clear that when information is effortful to attain, donors are less likely to seek it (Null, 2011; Burchheit & Parsons, 2006), and if the information is not disclosed, donors cannot use it. Making it more readily available may increase ease of use in decision-making and nudge ordinary donors to become impact-focused ones.

The alternative scenario is that an increase in inclusions as a result of the proposed reasonable donor may achieve nothing. If the disclosures cannot substitute for personal experience, the inequalities in types of charities that receive funds will persist. Because the giving impulse is tied to emotion (Hasford, Farmer & Waites, 2015; Genevsky *et al.*, 2013), and because one donation tends to come at the cost of another (Reinstein, 2011), the actual donor may continue to attend to affective elements, even the vague or grand claims that a deliberative mind would dismiss. At worst, the additional inscriptions introduce numbers that reduce giving among ordinary donors, with a total overall reduction (Karlan & Wood, 2014; Dickert *et al.*, 2011; Small *et al.*, 2007).

The primary purpose of a materiality guidance is to articulate a consistent and coherent notion of sufficient disclosure — to make clear through quantitative and qualitative factors when an omission is material — to help charities know what they *ought* to report. It is a real and pressing concern for charities. However, the specification of a reasonable donor upon which the materiality guidance is based is likely to have distributional consequences in terms of the total quantity of charitable donations and the allocation of those donations. I have offered one answer to the question “what is material to charity disclosures?” based on current views of scholars and sophisticated donors, but that answer doesn’t become “right” until a policy objective has been defined and alignment with policy objectives has been confirmed.

### Implications of mattering minds

Making up users to achieve public policy aims embraces the performative power of materiality and selects a guidance that will draw out and enact materialization in the public interest. Key elements of the argument were raised in Pallot’s (1991) exchange with Williams (1987):

[Williams] advocates an accountability perspective because it "contains fairness as an inherent property" (p. 175). Yet his primary concern seems to be with distributive justice. Accountability, however, is primarily a question of exchange justice as witnessed in Ijiri's concern about a fair flow of information between accountant and accountee.... Accounting researchers who shift from decision usefulness to accountability ... remain firmly rooted in the individualistic paradigm for accountability, with its emphasis on rights, contracts and two party exchanges is an



individualist model. The notion of fairness [within accountability is therefore] one of commutative justice.” (Pallot, 1991, p. 202, 203)

Pallot and Williams understand the exchange of information as that between individual entities, such as an organization and a real person. They focused on the notion of “decision usefulness” to an investor making economic decisions or a citizen being adequately informed to hold an entity to account. What I have proposed is that decision usefulness to an idealized made-up user can be used as a means of coordinating disclosures without putting emphasis on individual actions, but on the distributive justice of the system created when a particular user is envisioned. The legal scholars cited above were not focused on optimal communication between a firm-investor dyad (or charity and donor) but on the fairness of the market. The “reasonable investor” was conceived of as an archetype or principle around which to make (and challenge) disclosure decisions and the severity of omissions and misstatements in order to achieve a more fair market: if disclosures are based around the following assumptions of the reasonable investor, is the market more or less fair than if disclosures are based around a different set of assumptions about that idealized reasonable user? The made-up user is defined in order to achieve more just distributive outcomes. The decision-usefulness framework is shifted to one that is not inherently individualist.

The study informs questions of materiality in other non-financial corporate performance disclosures. Materiality guidances on Social and Environmental Reporting (SER) have taken a literal approach to user-decision making, using surveys and empirical data of actual users to identify the elements, categories and indicators that are material to them (Glac, 2013; Cohen *et al.* 2011; Deegan & Rankin, 1997). Anchoring materiality judgments in that cacophony may achieve the accountability and commutative justice objectives, but it is unlikely to serve the public’s best interest. The approach of the archetypal user, predicated on public interest, offers a coherent alternative.

## Addendum: Materiality in Advertising

Nine times out of ten, when I talk to ordinary donors about this research, they respond confused: charity reports aren't really meant to be serious. They are *advertising*. Academic literature on charitable fundraising also presumes that the purpose is to persuade rather than inform. Fundraising experiments have explored "how to use messages to leverage more giving" (Edwards & List, 2014), including the use of "touching headlines" and "vivid case stories" in order to effectively "capture attention, induce sympathy and motivate giving" (Chang & Lee, 2015) and how to design a website to encourage impulse giving (Bennett, 2009). Mailings to donors are evaluated in terms of how much they raise (Brooks, 2004; Sargeant, Jay & Lee, 2006; Yürük, 2012; Hsee, Zhang, Lu & Xu, 2013). Studies of donor behaviour suggest that ordinary donors act more like impulsive consumers than sophisticated investors. Given this, it may be more appropriate to consider the materiality of omissions through the lens of advertising.

Advertising, like financial accounting, is a regulated form of corporate communication (Jones, Richardson & Shearer, p. 24, 2000). The materiality of false claims and omissions is integral to these regulations. The Federal Trade Commission (FTC), which has regulated false claims since 1938 (Richards & Preston, 1992), states, "It is a basic tenet of our economic system that information in the hands of consumers facilitates rational purchase decisions; and, moreover, is an absolute necessity for efficient functioning of the economy" (FTC, 1979, 50218-50222; cited in Kinnear & Root, 1988). Similar to accounting, advertisers should disclose *enough* but not so much that the consumer is "distracted from the most relevant and important information" (Stewart & Martin, 2004). The information must be "sufficient information to allow consumers to make informed choices" (Canadian Competition Bureau, 2016), which US case law has found to include "information related to the purpose, safety, *efficacy*, or cost, of the product or service as well as durability, *performance*, warranties or quality" (FTC, 1983, p. 5, emphasis added to highlight areas that may apply to charity social performance disclosures) to allow comparisons among competing alternatives (Bettman, Payne, & Staelin, 1986). A material

misrepresentation of information in advertising as “one which is likely to affect a consumer's choice or conduct” (FTC, 1983). And with respect to omissions “where the seller knew, or should have known, that an ordinary consumer would need omitted information to evaluate the product or service” (FTC, p. 5). The test is typically “a significant minority” of consumers (FTC, p. 10). In some cases, empirical evidence of “flesh and blood” consumer reactions has been considered by the courts to determine the materiality of misstatements.

US case law around false claims in advertising has a few key differences from the accounting understanding of materiality. One is that all express claims are *presumptively material* (Stewart, 1995; FTC, 1983). FTC takes an organization’s voluntary expenditure of resources to disseminate content as evidence that the organization believes the content to be material. According to the US Supreme Court “we may assume that the willingness of a business to promote its products reflects a belief that consumers are interested in the advertising” (*Central Hudson Gas & Electric Co. v. PSC*, 447 U.S. 557, 567 (1980) cited in FTC, 1983). If examined as advertising, all a charity’s printed (including on websites) social impact claims would be presumptively material and at risk of material misstatement.

Presumptive materiality applies to innuendo, if deemed intentional (Stewart & Martin, 2004). Innuendo can be conveyed through photographs and imagery, extending the reach of materiality questions beyond numbers and text so long as the implied claim is falsifiable. Imagery and vague claims, “often intentionally misleading, [are] usually vivid and memorable, and induce[s] many of us to rely on [them]” (Hoffman, 2006a). If charities allude to more success than their measurement supports, or if they insinuate more success than other similar charities, the innuendo may be considered a material misstatement.

Presumptive materiality does not apply to claims “not capable of measurement” (Hoffman, 2006a, p. 108). “The claim that yogurt is ‘nature’s perfect food’ apparently may be falsified and is not puffery; Nestlé’s claim that it sells the ‘very best chocolate’ was considered a puff” (Hoffman, 2006a, p.

110, citations to legal cases omitted). At issue is not whether the claim was measured, but whether it is measurable.<sup>58</sup> Vague charity performance claims, like “changing lives” and “inspiring youth” are measurable, if not accompanied with nullifying statements or with appropriately generalizable evidence, they could be considered material misstatements.

The FTC regulatory regime only pursues false advertising where there is a public interest concern. “Charities are rarely pursued because donation amounts tend to be small and therefore falls under the ‘relatively inexpensive’” (Shanahan, Hopkins & Carlson, 2010, p. 220). For a charity report to fall under the domain of advertising, a public interest argument must be made. FTC has assessed there is low risk *to donors* when charities make false claims. As I argued above, however, the real public interest risk is to the beneficiaries, not the donors. If the FTC were to consider that risk, find it significant and start investigating the claims in charitable annual reports, I think reporting would change dramatically.

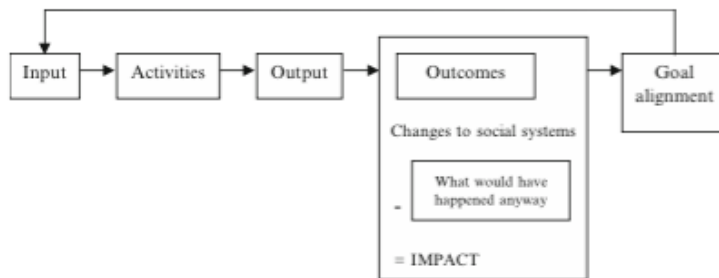
Taken together, dismissing a charity report as “just advertising” actually may subject it to a more rigorous materiality regime than accounting would. Because of presumptive materiality and attention to innuendo and vague statements, much of the content in charity annual reports that accountants dismiss as “puffery” would be at risk of material misstatement.

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<sup>58</sup> The Canadian Competition Act (Paragraph 74.01(1)(b)) prohibits representations “about the performance, efficacy or length of life of a product, which is not based on an adequate and proper test.” Vague but falsifiable claims under Advertising Canadian law are considered misleading if not supported by “adequate and proper test.”

## Tables and Figures

Figure 5.1 The Impact Value Chain



Source: Clark *et al.*, 2004

## 6. Conclusion

Materiality is emerging as an important topic in accounting. It has been brought to the fore in the context of debates around how far corporate reporting obligations should expand into the realms of social, environment and governance (ESG). Leading organizations, such as the Sustainable Accounting Standards Board, the International Integrated Reporting Council, the Global Reporting Initiative, Social Value International and AccountAbility, have all invoked the accounting concepts of *materiality* in their arguments. The different ways that materiality is being understood and practiced in order to assert that ESG information is material has drawn attention to how accountants define materiality and how they assess the materiality of things.

In order to explore the meaning and practice of the materiality of social performance, this study sought to theorize materiality without drawing on a user-based approach. Even though the various accounting bodies define materiality slightly differently, the definitions share a user-based approach. The user-based approach defines materiality in terms of things that matter *to users*. IASB defines materiality as economic decisions of investors. IPSAB defines materiality as that which fulfills the discharge of accountability. These definitions share a presumption that with perfect knowledge of user preferences it would be possible to objectively classify all data on a continuum from material to immaterial, and that the accountant's task is to approximate user-based classifications of materiality in the absence of perfect knowledge of user preference.

The problem with the user-based approach is that it runs contrary to a growing body of research. User preferences are not 'out there' to be discovered by accountants, but easily shaped by the work of accountants and other kinds of reporting. Studies on the effects of presentation on judgement and decision-making and on analyst responses to particular disclosures show that what accountants put on a page affects the judgements and weights that users assign to different items. Said differently, what and how accountants disclose affects what matters to users, and how much it matters. The user-based

approach to materiality directs accountants to look to users as the definitive word on ‘what matters’; but research has demonstrated that, in fact, users are acquiring their viewpoints from accountants. The current definitions of materiality in the various accounting bodies all hinge on a user-based approach that can no longer be supported. Given the body of evidence, it is no longer reasonable to anoint the user as the objective external referent of what matters.

Proponents of greater ESG disclosures define materiality in ways that mimic accounting’s user-based approach, but their practices by-pass users. One strategy, embraced by SASB, is to argue that ESG information is material *to* financial returns and thus investors *should* care about it. SASB publishes research correlating ESG indicators to financial performance. In this case, it is not user-preferences that are ‘out there’ to be discovered, but the right set of variables in an equation to predict financial returns. SASB asserts the material of certain ESG items on the basis of discovered correlations with financial returns, not on the basis of newly discovered user decision making. Reminiscent of FASB’s made up users (Young, 2006), SASB is using economic models and presuming user interest.

The other strategy that proponents of greater ESG disclosures have used to assert the materiality of ESG is to, in effect, propose an alternative conceptual framework. The Global Reporting Initiative and the International Integrative Reporting Council are examples of this strategy. Materiality in financial accounting practice is always in relation *to* the elements (income, expenses, gains, losses, assets, liabilities) in the conceptual framework and details within those elements (e.g. sales, other comprehensive income, contingent liabilities). Information that might affect the elements of the conceptual framework are contemplated as possibly material. Groups like the GRI and IIRC argue for an expanded set of disclosures on the grounds that ESG items are material *to* things not captured by the existing accounting conceptual framework. GRI includes items like supply chain and employee wellbeing. IIRC includes human and natural capital. Their work simplifies the daily practice of determining materiality by concealing the problematic task of deciding what matters to that of defining a new conceptual framework.

Conceptual frameworks are closely entwined with materiality and are known to have constitutive and performative effects on society (Hines, 1991; Young, 2003; Young & Williams, 2010).

The challenge that this dissertation took on was to understand materiality of social performance in a way that does not rely on current users as an objective referent of what is material, that does presume the objectives of users through *homo economicus* and that acknowledges that defining a conceptual framework is simply a broader, earlier, but ultimately determinate approach to defining what is material. For reasons outlined in Chapter 1, the study turned to charities for empirical work, but the theoretical work applies to materiality more broadly.

### **How things come to matter; what makes something material.**

An updated theory of materiality in accounting requires a more fulsome understanding of how things come to matter and what makes something material. This includes an understanding of the relationships between accountants and users. It also includes an understanding of how items end up in accounting disclosures. There is an enormous body of accounting research available to inform this understanding. Accounting scholarship that has drawn on Giddens, Bourdieu, Foucault and Latour all informs the question of how things come to matter. There have been very few attempts to use these lenses specifically to understand materiality (Edgley, 2014 and Edgley, Jones & Atkins, 2015 are the two that I am aware of) but in many cases it is a very small step from the text of prior research to insights about materiality. The theorization offered in this dissertation adheres closely to that of prior work.

A founding tenet of the theorization is that accounting is not separate from its environment (Burchell, Clubb & Hopwood, 1985); the two are entangled and inseparable. Accounting is constitutive of and constituted by the arenas in which it operates (Burchell, Clubb & Hopwood, 1985). Accounting practices are given new roles and meanings as they interact with discourses, other communities of knowledge and technology (Robson, 1991). And, by the very act of calculating, recording, and measuring accounting shapes society (Millar & Rose, 1990); it influences what people do and how people think in.



How accountants see the world can performatively create the world through systems of calculation (Orlikowski & Scott, 2014; Edgley, 2014; Vollmer, Mennicken & Preda, 2009). Accounting is not *merely* technical or instrumental. Its roles, uses and meanings arise from specific social-economic and institutional environments and accounting shapes those environments. Part of all of this is the question of what matters and what gets measured and reported as material.

Inanimate objects can shape the trajectory of accounting. The inanimate objects can be inscriptions with power to act by informing at a distance (Robson, 1992) or as templates that assert a form (Qu and Cooper, 2011). Tangible objects assert a mattering into accounting in a way that intangible objects do not (Shearer & Arrington, 1993). Inanimate objects act by organizing routines and activities (Neu, Ocampo & Graham, 2006). Systematizing accounting into calculative routines create a performative effect of what comes to matter (Orlikowski & Scott, 2014). Things that have matter (in the tactile tangible sense) – be they accounting inscriptions, templates, loan documents or oil rigs – have a particular power to assert what comes to be material in an accounting sense.

### **Theorizing Materiality**

Threads from these earlier works wind into the New Materialism. The new materialism incorporates agential inanimate objects and the performative role of accounting discourse in the production of accounting documents and numbers. Understanding accounting materiality within the new materialism conceives of materiality, in an accounting sense, not as a property of an item, but the outcome of an ongoing process.

The notion of process is important because it introduces *time* as crucial to the concept of materiality. In practice, and in most of the academic literature on materiality, there is certainly an awareness that what accountants deem material has changed over time, but there is an underlying assumption that practice has changed because accountants are perfecting the art of materiality judgements or because academics are better understanding what is (and has always been) material. The literature does not tend

to see a change in what *is* material. I am arguing that what *is* material has changed, is changing, and must be continually rediscovered and re-asserted. My theorization of materiality is that it is dynamic and it does change. It is part of an ongoing becoming what it was not (Hopwood, 1987).

The notion of process also introduces *antecedents* to the concept of materiality. Antecedents are the causal (but non-determinate) mechanisms that produce materiality. These include three-dimensional things (like furniture), prior accounting inscriptions, devices — such as templates — that encode and enact professional expertise, the performative enactments of professional and gendered identities, and information technology, among other things. These three-dimensional things are entangled in and part of discourse. The antecedents of materiality in its ongoing becoming cannot be reduced to user information needs or professional judgement or an equation putatively held by made-up *homo economicus*. Materiality cannot be said to come from outside of accounting, as is implied by treated users and an objective external referent. Nor can materiality come from inside accounting, as implied when professional judgement, audit firm manuals, and conceptual frameworks are treated as the source of materiality. Materiality is constantly and iteratively produced from a complex set of causal but non-determinant elements that is partially in the control of accountants.

For this theorization to make sense, accounting inscriptions themselves must be understood as enactments of material-discursive arrangements, rather than representations of objects (In the term material-discursive, material refers to things constituted by physical particles). The distinction between representations and performative enactments is subtle, but the differences matter. When accounting inscriptions are understood as representations, there is implicitly someone or thing creating the representation. The agency is ascribed to the accountant, not the object being represented nor the inscription being created. The ontology of the inscription, what it *is*, is derived from and tethered to, the object. If inscriptions are seen as performative enactments, the accountant retains some agency, but agency is also ascribed to both the object and the ensuing inscription. The inscription has its own

ontological identity. Once created, it is a thing unto itself. It carries the traces of its origins, but it is not tethered to it.

It is through the performative relationship that accounting materiality and physical materiality produce each other. Accounting materiality is ‘what matters’ but the decisions around materiality affect what is recorded, what is reported and the location of the information in a report (for example a line in the financial statements, a table in the notes to the financial statements, or a number in the calculative shadows of the disclosure that contributes to a correct total but is not itself seen). Theorizing accounting inscriptions as performative enactments ascribes agency to objects in asserting what is material in an accounting sense. The formats of newspaper reports on charities enacted the earliest inscriptions in charity annual reports. In those first inscriptions are the traces of the categories of information reported by newspapers, mostly volume of work, as well as the location of the disclosures in the report: categories of information that were citations of the newspaper reports were rendered in sections designated as “report”. Other information that was asserted into the report without a prior material (tangible) form, but because donors were asking for it, was published outside the official accounts implying less materiality (importance). The long-term outcomes of the children are an example of this.

The study showed numerous examples of how physical matter produced accounting materiality. Printing technology enacted mattering in terms of volume and format of information disclosed. Different devices used by different groups of impact analysts looking at the same performance measures interacted with inscriptions in ways that materialized some items (e.g., Engagement Grant) that would be immaterial by other measures, and dematerialized items (housing stock) that are material by other measures. The way I have theorized materiality, the influence of newspapers, printing presses and templates are not skewing or obscuring a true materiality. They are creating a materiality that is constantly becoming what it was not. If these items did not start out as material in the eyes of users and professional, they became material (significant) by the very process of materializing (taking form) in the accounting.

The new materialism emphasizes that discourse is entangled with materiality. Entanglement means that matter (comprised of physics particles) and ideas cannot be seen as fully separate or one coming prior to the other. This means that when physical matter produces accounting materiality it influences the meanings in the accounting. It also means that some of the more abstract things that are known to influence accounting can be conceived as influencing through matter (physical particles). Expertise becomes physical through manuals and templates, but it also becomes physical through arrangements of neurons and synapses in the bodies of practitioners. The more a thinking routine is replicated, the more fixed the physical arrangements of physical particles become. In this study, I showed the influence of expertise on the content and format of social performance reporting. At times this was linked to templates used by practitioners (as in chapter 4) or borrowed from other disciplines (the similarities between accounting formats and social reporting formats). Consistent with what has been observed in studies of professional accountants, this theory suggests that expertise, even when embodied in something “abstract” like judgement, may also be an example of physical matter producing accounting materiality.

My understanding of accounting materiality is that it can be understood as part of the same process that describes the ongoing becoming of all matter, as understood by the new materialism. More specifically I have argued that matter is agential in producing accounting inscriptions. Most specifically, I have sought to draw attention to the role of accounting inscriptions in enacting their accounting materiality. Once inscribed, accounting inscriptions are some of the most agential matter (physical particles) producing materiality. Materiality of the inscriptions is produced through a performative chain of interacting inscriptions.

The process by which accounting inscriptions materialize as performative enactments of prior material-discursive entanglements, I articulated as the materiality chain. The purpose of the chain is to highlight the causal (but non-determinant) relationships between materiality judgements in some strata and moments and other strata and moments. The strata are categories, evidence and form. The moments

are standard-setting, creating accounts and recording events in an entity's accounting system, and statement preparation. In financial accounting, the materiality of categories is defined in moments of standards setting. These have causal implications for what evidence (transactions etc.) are entered in the moments of recording events in an entity's accounting system. In charity reporting, categories are often determined in the moments of statement preparation. They are influenced by the evidence gathered. The purpose of the chain is not to suggest the singular causal strand of linkages but that for any given materiality judgement forward and backward linkages can be traced. The materiality chain was visible in the corporate Environmental-Social-Governance-Impact and in charity social performance reporting: early activists selected and advocated for particular inscriptions that have, through repetition and incorporation into certain standards like the GRI, become part of the Sustainable Accounting Standard's Board materiality map.

The shortcoming of this theory of materiality lies in the *causal but non-determinant* relationships between prior mattering (physical particles arranging) and accounting materiality. The theory does not predict determinant relationships. In fact, it argues that due to the large number of antecedents it is unlikely that research will ever identify automatic or inevitable links between prior matterings and accounting materiality. The theory doesn't say what will be material, or what will de-matter. For example, in the case of charities at the turn of the century, repeated boilerplate text mattered into existence and then de-mattered. Both mattering and de-mattering can be traced to interactions with new inscriptions, technologies, professional identities and the accountability environment, but the theory doesn't predict when this will happen or why some things persist in mattering while others do not. The theory does suggest that matter with more stable structures, which would include more prevalent discourses, are more likely to manifest as materiality in an accounting sense; however, thirty years of research on accounting and society have already elaborated that point many times over. What I have done here is to link that explicitly to the questions of what is accounting materiality and how do things come to matter. I have not introduced a theory that identifies what is material.

The theory does provide accounting scholars with tools to critically evaluate materiality practice. With this theorization, it is possible to explore accounting materiality with a set of constructs that go beyond “user needs” and “professional judgement.” The degree to which information, by its nature or magnitude, matters and where it ought to be disclosed, if at all, is produced, and those productions can be studied and traced. This research traced inscriptions using longitudinal samples from the same charities, as well as six renderings of external-facing reports from the same charity. Understanding the interactions gives tools to better understand difference in materiality judgements by users and professionals. Differences in materiality judgements are not a new phenomenon, but they have been attributed to either subjective assessments or bias, which places all the agency with the individuals. My study distributes that agency to objects, including prior inscriptions and devices, and the interactions of multiple professions, practices and technology. The result is a theory of materiality that has more handholds for understanding what is going on, and more levers for practising accountants to influence entity-specific enactments of materiality. This is important in the face of research that has challenged both the existence of user needs independent of the artifacts that accountants produce and professional judgement independent of the artifacts professionals use.

The theory also characterizes materiality in such a way that provides insight into how accountants could (or should) determine what is material. As theorized, materiality is a dynamic construct changing over time in response to the actions of accountants as well as a host of other antecedents. A dynamic and vague articulation of materiality, although perhaps more accurate than the user-based approach, is not useful to accountants. In order to carry on doing accounting, accountants will need some sort of stable, practicable, definition of materiality. Yet accounting materiality is entangled with ‘what matters’ in society more generally, and when accountants substitute their own definitions of materiality for those of society, they are imposing a normative view of what should matter on the environment that accounting is inseparably a part of. As concluded by Burchell, Clubb & Hopwood (1985) with respect to accounting more generally, the question of what ought to be material in accounting is fundamentally a political one.

The articulation of it cannot therefore be determined within accounting itself. It must be contemplated as part of the public policy arena using the institutions and participatory mechanisms that are used to make public policy decisions.

The study highlights materiality as policy lever. Chapter five suggests that given the performative power of materiality, articulating a made up user with policy goals may be a useful way of achieving those policy goals. It argued that the limitation of Young's (2006) made up user may have more to do with the selection of *homo economicus* as the archetype rather than the archetypal mechanism itself. In the case of charity, a made up user based on impact-focused donors might mobilize disclosure that nudges less experienced donors to direct more resources to charities serving those in need. A made up user based on a moral investor may nudge users of accounting statements to contemplate non-financial consequences of investments. Of course, this doesn't necessarily replace *homo economicus*. This user also achieves particular policy objectives. The point is that the made up user is a useful (and perhaps necessary) coordinating mechanism for articulating some stable and practicable definition of materiality. The articulation of this user has implications far outside of accounting and may therefore make an effective policy lever to implement priorities that arise out of the political and public policy process.

### **Contributions and future research**

I have contributed to the understanding of materiality. I have proposed an understanding of materiality that is not reliant on users as an objective external referent. Nor does it demand that accounting professionals be mystic sages who can divine the wishes of users. The theorizing is consistent with much prior work on accounting and society in general as well as recent work on the performative aspect of materiality (Edgley, 2014 and Edgley, Jones & Atkins, 2015). The theorization does not contradict research findings on materiality in financial accounting. Rather, by suggesting that materiality is dynamic and performative with numerous antecedents, this study simply suggests that that prior work

may need to be updated and, going forward, may need to consider how the possibility of performativity would introduce endogeneity into analysis.

Examining materiality of social performance in the context of charities afforded opportunities to make further contributions to the accounting literature. This study introduced to accounting key *elements* of social reporting. These are inputs, activities, outputs, outcomes (which are also central to the Integrated Reporting conceptual framework). The study identified that in the context of social-reporting, whole categories (housing, wellbeing, economic savings) have only entity- or sector-specific relevance. These items, and the hierarchy in which they ought to be arranged, is assembled anew for each organization. Each charity, in effect, must create a conceptual framework for itself. This insight is a contribution to understanding accountability and disclosure in charity reporting.

Generalized to social performance reporting at any sort of organization – charity, publicly traded company or other – the materiality chain informs the creation of social performance reporting standards and specifies levels of relevance and materiality. Going forward, accounting will likely need to further specify materiality and relevance by type of reporting, industry/sector and entity, allowing for some entity-specific assessments of the materiality of whole categories.

A number of promising avenues for future research follow from this research. First, seeing accounting materiality as a dynamic process influenced by prior matterings, lays bare that the mundane practices of the structures of accounts and data entry have been woefully ignored as a subject of inquiry. It is at these very mundane moments that financial accounting practices performatively iterate what matters in ways that alter taken-for-given notions of what matters. Second, as the ESG example highlighted, the materiality chain affords power to small groups of activists in the accounting standard-setting process. It suggests that by the time accounting bodies are promulgating standards, much of the content is already materialized and material. Rating agencies and issue-based activists, like CDP, may in fact be the most influential, if hitherto invisible, accounting standard-setters. Thirdly, specific to charities,



the study found that important aspects of a charity's performance went unreported as a result of the change-focus entangled in the arrangement of inputs, outputs and outcomes. Future research could contemplate some sort of position statement for social performance reporting akin to the statement of financial position. Finally, the study suggests that much can be learned about what makes something material in accounting by studying contexts where the apparatus allows more fluidity in materiality.

In seeking to understand accounting materiality as the new materialism, I have sought to weave together a considerable body of prior work on the agency of objects, inscriptions as translation, practice theory, valuation, market devices, judgement and decision-making, in order to articulate theoretical tools for how things become material and immaterial.

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## **Appendix A: New York Times Articles**

Theory of Charity. Dec. 4, 1852

And Old and Worthy Charity. Feb. 19, 1856

The New-York Dispensary. Feb. 14, 1860

The Relief of the Suffering Poor. Nov. 3, 1861

True and False Charity. Feb. 21, 1874

Mr Teall is Sarcastic: writes to Mr Hebbard of the Charitable Organization. Jan. 6, 1884

Against Organized Charity: The views of The Rev. Dr. B.B. De Costa. Feb. 20, 1888

Charity Attacked and Defended. April 1, 1895

Charity Gives way to Welfare Work. May 17, 1926

Choosing Charities. March 8, 1935

Sound Basis Urged For Security Plan. March 11, 1935

Social Work Held A Vital Profession. April 25, 1938

Charity in action. Nov. 25, 1944

Community trusts increase assets. May 19, 1947

Aid to poor called a religious duty. Feb. 16, 1948

United Way Assailed as Monopolistic Charity. Nov. 8, 1981

New Charity Coalitions Challenge Longtime Dominance of United Way. Jan. 3, 1982

Charity rise credited to greater need. Dec. 21, 1982

Let Them Eat Charity. Oct. 1 1984

Assessing how gifts to charity are used. June 29, 1985

Giving to Charities: Get Facts. Sept. 22, 1985

Who Benefits From Charity? March 9, 1986

Yes, Investigate Charities But Don't Stop Giving. Dec. 12, 1988

Charity to Focus on Underclass. Jan. 22, 1989

Seeking Charities That Actually Help. Dec. 2, 1989

## Appendix B: Channing Home, a template in paragraph form

### Report No. 12

The Directors of the Channing Home submit the following Report for the year ending March 31, 1880.

The institution was first opened in Channing Street in May 1857, by Miss Harriet Ryan, who afterward became Mrs. Albee. It was her intention to make it a home for sick women rather than a hospital, and it was her custom to admit chronic and incurable cases. In this respect it meets a want in the community that is not entirely filled by other institutions. And it will be the endeavor of the Managers to carry out the plan that she so nobly started. Some of the patients have been inmates in the Home for years, and no pay is taken from any of them.

The present building, No 30 McLean Street was first occupied by the Home in 1870, and is well adapted to the purpose. It is light and airy, and situated in a quiet unpaved street. Its position gives it some advantages of importance to patients, and it is believed that they are more comfortable here than they would be in a larger hospital.

At the end of the last year (March, 31 1879) there were fourteen patients in the Home. During the year eighteen have been admitted, nine have died four have been discharged relieved, and three not relieved. The number now remaining is sixteen, of which thirteen are suffering from consumption, two from general debility and one from cardiac disease.

The following tabular statement gives the disease and results of all the cases that have been treated in the Home, since it was established twenty-three years ago, though it does not include the present patients.

### Report No. 23

The Directors of the Channing Home submit the following Report for the year ending March 31, 1891.

The home was first opened in Channing Street in May 1857, by Miss Harriet Ryan (afterward Mrs. Jors Albee) and was moved in March 1858 to No. 13 South Street. It was Miss Ryan's intention to establish a home rather than a hospital for sick women and it was her custom to admit chronic and incurable cases. In this respect the institution supplies a want in the community not entirely filled by any other; and it will be the endeavor of the managers to carry out the plan which she so nobly started. Some of the patients have been inmates of the home for years, and no pay is taken from any of them.

The present building, No 30 McLean Street, was occupied by the Home on May 1 1870 and is well adapted to the purpose. It is light and airy and situated in a quiet and unpaved street. The position has some advantages of importance to the patients and it is believed that they are more comfortable here than they would be in a larger establishment.

At the end of last year (March 31, 1890) there were fourteen patients in the home. Since that time twenty- one have been admitted, thirteen have died, six have been discharged relieved, and two not relieved. The number now remaining is fourteen of whom eleven are suffering from consumption, one from cardiac disease and two from general debility.

The following tabular statement gives the disease and results of all cases treated in their home since its establishment thirty-four years ago, though it does not include the present patients.

## Appendix C: Uniform Account for Hospitals

“The first step in what bids fair to become a revolution in the attitude of American hospitals toward actual and potential givers was taken in New York in June, 1906, when four of the leading hospitals (New York, Presbyterian, Roosevelt, St. Luke’s) agreed upon a common form of recording and publishing important facts as to efficiency and needs. Because this plan furnishes the basis for a publicity campaign in behalf of all American hospitals, and because it is the Big Four’s response to the agitation of the past two years, it is published here in full. There is not a hospital in the country that could not describe its experience and its needs in the language provided by the following schedule.” (Allen, 1906, pp. 307-308)

The Uniform Accounts are printed on pages 311–318. Schedule 1 pertains to operating and other current expenses; Schedule II pertains to revenue; Schedule III is a summary of financial transactions (capital expenditures, surplus account, capital receipts, deficit account); Schedule IV is a comparative balance sheet; Schedule V is a statement showing increase or decrease of principal of all capital funds); Schedule VI pertains to the social results and is included below.

HOSPITAL EFFICIENCY		317
SCHEDULE VI—Continued		
Total patients treated in hospital wards and private rooms during year:	1906	1905
Male.....	.....	.....
Female.....	.....	.....
Patients discharged during year:		
Cured.....	.....	.....
Improved.....	.....	.....
Unimproved.....	.....	.....
Transferred to other institutions.....	.....	.....
Died.....	.....	.....
Total.....	.....	.....
Patients in hospital end of year:		
In medical wards: Male.....	.....	.....
Female.....	.....	.....
In surgical wards: Male.....	.....	.....
Female.....	.....	.....
In private rooms: Male.....	.....	.....
Female.....	.....	.....
Total.....	.....	.....
Total patient days treatment:		
Free ward.....	.....	.....
Endowed bed.....	.....	.....
Pay ward.....	.....	.....
Private room.....	.....	.....
Total.....	.....	.....
Percentage		
Free ward days.....	.....	.....
Endowed bed days.....	.....	.....
Pay ward days.....	.....	.....
Private room days.....	.....	.....
Average patients per day:		
Free ward.....	.....	.....
Endowed bed.....	.....	.....
Pay ward.....	.....	.....
Private room.....	.....	.....
Total.....	.....	.....
Average time per patient in hospital.....	.....	.....
Daily average cost per private room patient.....	.....	.....
Daily average cost per ward patient.....	.....	.....
EMERGENCY WARD		
Patients under treatment first of year: Male.....	.....	.....
Female.....	.....	.....
Patients admitted during year: Male.....	.....	.....
Female.....	.....	.....
Total patients treated during year: Male.....	.....	.....
Female.....	.....	.....
Patients discharged during year.....	.....	.....
Patients under treatment end of year: Male.....	.....	.....
Female.....	.....	.....
Visits made to emergency ward during year.....	.....	.....
Average visits made per day.....	.....	.....
Average visits per patient.....	.....	.....
Daily average cost per emergency ward patient.....	.....	.....

318 THE AMERICAN JOURNAL OF SOCIOLOGY	
SCHEDULE VI—Continued	
DISPENSARY	
Patients under treatment first of year: Male.....	1906 1905
Female.....	.....
Patients admitted during year: Male.....	.....
Female.....	.....
Total patients treated during year: Male.....	.....
Female.....	.....
Patients discharged during year.....	.....
Patients under treatment end of year: Male.....	.....
Female.....	.....
Visits made to dispensary during year.....	.....
Average visits per day.....	.....
Average visits per patient.....	.....
Daily average cost per dispensary patient.....	.....
AMBULANCE	
Ambulance calls during year.....	.....
Average calls per day.....	.....
Average cost per ambulance call.....	.....
Patients treated by ambulance surgeon in emergency ward and transferred.....	.....
Patients treated by ambulance surgeon and left at place of call or transferred direct to other institutions.....	.....
VISITING OF HOME (DISTRICT) NURSING	
Number of patients visited.....	.....
Number of visits made.....	.....
Average visits per day.....	.....
Average cost per visit.....	.....
SUMMARY	
Total patients treated during year in all departments.....	.....
Average patients per day in all departments.....	.....
Daily average number of employees boarded in hospital.....	.....
Daily cost per capita for provisions for all persons supported.....	.....

## Appendix D: Method for Review of Legal Journals

To review materiality in securities law and advertising law, I conducted a systematic search based on articles with the word “materiality” in the title, published in the last decade (2005 or later) in a source with the word “law” in the title. These were identified using Google Scholar (recommended by Massaro, Dumay & Guthrie, 2016). After an initial review, I did further searches for articles with the terms “puffery,” “reasonable investor,” “rational shareholder” and “false advertising” in the titles; again all in law journals and all published in the last decade.

The selection of one decade was arbitrary. It is long enough to include the recent revival of attention to materiality by FASB and IASB. I found no reason to prefer a different time period (e.g., 5 years, 12 years, 20 years). I constrained the source materials to those with “law” in the title because it was the easiest way to search law journals. While not constrained to the top law journals, all but seven of the top 100 journals have law in the title (this is based on the impact factor rankings of the Washington and Lee University School of Law, Law Journals Submissions and Rankings 2008-2015. Available at <http://lawlib.wlu.edu/LJ/index.aspx>). These are the Supreme Court Review, Harvard Journal on Legislation, Journal of Legal Analysis, Yale Journal on Regulation, Harvard National Security Journal, Cato Supreme Court Review, Journal of Legal Studies. I repeated the searches for each of these journals.

I excluded articles on disclosure in medical contexts (disclosure of material risks to patients), wrongful convictions (e.g., materiality of inadmissible evidence) and intellectual property law and cases where materiality is used in the sense of tangible/tactile three-dimensional forms.

Below is a complete list of articles reviewed.

- Black, B. (2012). Behavioral Economics and Investor Protection: Reasonable Investors, Efficient Markets. *Loy U Chi LJ*.
- Booth, R. A. (2013). The Two Faces of Materiality. *Delaware Journal of Corporate Law (DJCL)*.
- Couture, W. G. (2013). Criminal Securities Fraud and the Lower Materiality Standard. *Securities Regulation Law Journal*.
- Couture, W. G. (2015). Materiality and a Theory of Legal Circularity. *University of Pennsylvania Law*

- Review*, 17(2), 452–525.
- Heminway, J. (2009). Female Investors and Securities Fraud: Is the Reasonable Investor a Woman? *William & Mary Journal of Women and the Law*.
- Heminway, J. (2012). Just Do It-Specific Rulemaking on Materiality Guidance in Insider Training. *La L Rev*, 72, 999–1054.
- Hoffman, D. A. (2006a). The best puffery article ever. *Iowa Law Review*.
- Hoffman, D. A. (2006b). The Duty to be a Rational Shareholder. *Minnesota Law Review*.
- Horwich, A. (2011). An Inquiry into the Perception of Materiality as an Element of Scienter under SEC Rule 10b-5. *The Business Lawyer*. <http://doi.org/10.2307/41348291>
- Howard, C. (2013). Amgen and Proving Materiality in Class Action Securities Litigation. *Wake Forest Journal of Business and Intellectual Property Law*, 13(2), 1–24.
- Huang, P. H. (2005). Moody Investing and the Supreme Court: Rethinking the Materiality of Information and the Reasonableness of Investors. *Supreme Court Economic Review*.  
<http://doi.org/10.2307/3655302>
- Kyte, R. (2007). Balancing rights with responsibilities: looking for the global drivers of materiality in corporate social responsibility & the voluntary initiatives that develop and support them. *Am U Int'l L Rev*, 23, 559–576.
- Mosma, D., & Olson, T. (2007). Muddling Through Counterfactual Materiality and Divergent Disclosure: The Necessary Search for a Duty to Disclose Material Non-Financial Information. *Stan Envtl LJ*.
- Padfield, S. J. (2007). Is Puffery Material to Investors - Maybe We Should Ask Them 10 University of Pennsylvania Journal of Business and Employment Law 2007-2008. *U Pa J Bus & Emp L*.
- Park, J. J. (2009). Assessing the materiality of financial misstatements. *Journal of Corporation Law*.
- Pottage, A. (2012). The Materiality of What? *Journal of Law and Society*, 39(1), 167–183.  
<http://doi.org/10.1111/j.1467-6478.2012.00576.x>
- Rhodes, C. W. (2015). Living in a Material World: Defining “Materiality” in the Municipal Bond Market and Rule 15c2-12. *Wash & Lee L Rev*.
- Sachs, M. V. (2006). Materiality and Social Change: The Case for Replacing the Reasonable Investor with the Least Sophisticated Investor in Inefficient Markets. *Tul L Rev*.
- Sauer, R. C. (2007). The Erosion of the Materiality Standard in the Enforcement of the Federal Securities Laws on JSTOR. *The Business Lawyer*. <http://doi.org/10.2307/40688521>
- Tranter, K. (2013). Materiality and memory: Motor cars and mobile phones. *Griffith Law Review*.
- Tushnet, R. (2011). RUNNING THE GAMUT FROM A TO B: FEDERAL TRADEMARK AND FALSE ADVERTISING LAW on JSTOR. *University of Pennsylvania Law Review*.  
<http://doi.org/10.2307/41149898>

## **Appendix E: Review of social impact measurement and reporting guidances**

To develop my sample, I started with the list of resources assembled by Adams (2015) and Maas and Likert (2011). Adams (2015) catalogued methods for measuring and reporting social impact. Once she had removed duplicates (44.4%), those superseded by a newer version of the same approach (27.9%), those of no substance or that didn't address performance measurement or reporting (44%), those that were old or no longer in use (13.6%) she was left with a short list of 24 (See Table below). Maas and Likert (2011) used a similar approach to identify 30 resources. Combining and updating those lists, I reviewed:

1. **Principles of good impact reporting**  
Organizations: Association of Chief Executives of Voluntary Organizations (ACEVO), Charity Finance Group, Institute of Fundraising, National Council for Voluntary Organizations (NCVO), New Philanthropy Capital (NPC), Small Charities Coalition, Social Enterprise UK, The SROI Network,  
Retrieved Nov 15, 2016 from: <http://www.thinknpc.org/publications/the-principles-of-good-impact-reporting-2/>
2. **Harmonizing reporting**  
Organization: Scotland Funders Forum  
Retrieved Nov 15, 2016 from: [http://www.evaluationsupportscotland.org.uk/media/uploads/resources/harmonising\\_reporting\\_final\\_report.pdf](http://www.evaluationsupportscotland.org.uk/media/uploads/resources/harmonising_reporting_final_report.pdf)
3. **Charting Impact: 5 Questions**  
Organization: Guidestar  
Retrieved Nov 15, 2016 from: <https://learn.guidestar.org/update-nonprofit-report/charting-impact>
4. **Guidelines for how to Measure and Report Social Impact**  
Authors: Adrian Hornsby  
Organization: Social Investment Business & Investing for Good; The Good Analyst  
Retrieved Nov 15, 2016 from: [http://www.sibgroup.org.uk/fileadmin/tsib\\_users/Resources/Measuring\\_your\\_social\\_impact\\_guidelines\\_for\\_investees.pdf](http://www.sibgroup.org.uk/fileadmin/tsib_users/Resources/Measuring_your_social_impact_guidelines_for_investees.pdf)
5. **The SROI Guide**  
Authors: Nicholls, J., Lawlor, E., Neitzert, E and Goodspeed, T.  
Organization: The SROI Network, now Social Value UK  
Retrieved Nov 15, 2016 from: <http://www.socialvalueuk.org/resources/sroi-guide/>
6. **Social Reporting Standard**  
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Organizations: Association of Chief Executives of Voluntary Organizations (ACEVO), Association of Charity Fundraisers, Building Change Turst, Charities Evaluation Services, Evaluation Support Scotland, National Council for Voluntary Organizations (NCVO), New Philanthropy Capital (NPC), Substance

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**Table 8.2** Overview of social impact measurement methods

Social Impact measurement methods
1. Acumen scorecard
2. Atkinson compass assessment for investors (ACAFI)
3. Balanced scorecard (BSc)
4. Best available charitable option (BACO)
5. BoP impact assessment framework
6. Center for high impact philanthropy cost per impact
7. Charity assessment method of performance (CHAMP)
8. Foundation investment bubble chart
9. Hewlett foundation expected return
10. Local economic multiplier (LEM)
11. Measuring impact framework (MIF)
12. Millennium development goal scan (MDG-scan)
13. Measuring impacts toolkit
14. Ongoing assessment of social impacts (OASIS)
15. Participatory impact assessment
16. Poverty social impact assessment (PSIA)
17. Public value scorecard (PVSc)
18. Robin hood foundation benefit–cost ratio
19. Social compatibility analysis (SCA)
20. Social costs–benefit analysis (SCBA)
21. Social cost-effectiveness analysis (SCEA)
22. Social e-valuator
23. Social footprint
24. Social impact assessment (SIA)
25. Social return assessment (SRA)
26. Social return on investment (SROI)
27. Socioeconomic assessment toolbox (SEAT)
28. Stakeholder value added (SVA)
29. Toolbox for analysing sustainable ventures in developing countries
30. Wellventure monitor